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LEGISLATIVE HISTORY

Public Law 89-525  
S. 2822

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## INDEX AND SUMMARY OF S. 2822

Jan.	26, 1966	Sen. Ellender introduced S. 2822 which was referred to Senate Agriculture and Forestry Committee. Print of bill as introduced.
Mar.	31, 1966	Subcommittee voted to report S. 2822.
Apr.	7, 1966	Senate committee reported S. 2822 with amendment. S. Report 1102. Print of bill and report.
Apr.	14, 1966	Senate passed S. 2822 as reported.
Apr.	18, 1966	S. 2822 was referred to House Agriculture Committee. Print of bill as referred.
June	21, 1966	House committee voted to report S. 2822.
July	13, 1966	House committee reported S. 2822 with amendments. H. Report 1695. Print of bill and report.
July	18, 1966	House passed S. 2822 as reported.
July	21, 1966	Senate concurred in House amendments to S. 2822.
Aug.	2, 1966	Approved: Public Law 89-525.

**Hearings:** Senate Agriculture and Forestry Committee  
and House Agriculture Committee on  
S. 2822.



## DIGEST OF PUBLIC LAW 89-525

### AMENDMENTS TO VARIOUS FARM CREDIT ADMINISTRATION

LAWS. Amends various provisions of the Federal Farm Loan Act, the Agricultural Marketing Act, and the Farm Credit Acts of 1933, 1937, and 1953, which are administered by the Farm Credit Administration. The amendments are designed to modernize, simplify, and improve the operations under these statutes.









# S. 2822

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## IN THE SENATE OF THE UNITED STATES

JANUARY 26, 1966

Mr. ELLENDER (for himself and Mr. TALMADGE) introduced the following bill;  
which was read twice and referred to the Committee on Agriculture and  
Forestry

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## A BILL

To amend various provisions of the laws administered by the  
Farm Credit Administration to improve operations there-  
under, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That the laws administered by the Farm Credit Administra-  
4       tion relating to Federal land banks, Federal intermediate  
5       credit banks, banks for cooperatives, farm credit board elec-  
6       tions and compensation of Federal Farm Credit Board, are  
7       amended as hereinafter provided.

8                               FEDERAL LAND BANKS

9       SEC. 2. Title I of the Federal Farm Loan Act, as  
10      amended, is amended—

1           (a) by adding the following subsection at the end of  
2           section 10 thereof (12 U.S.C. 751-757) :

3           “(h) To the extent authorized by the Farm Credit Ad-  
4           ministration, the Federal land bank of the district, and the  
5           board of directors of a Federal land bank association, a written  
6           report and approval by the manager or another employee of  
7           the association designated for the purpose shall be acceptable  
8           in lieu of the written report and approval otherwise required  
9           of the loan committee under this section; and in such cases  
10          the favorable report and approval by the manager or other  
11          employee shall constitute the applicant a member of the  
12          association.”

13          (b) by inserting immediately before the period  
14          at the end of paragraph First of section 12 thereof  
15          (12 U.S.C. 771 First) and immediately before the  
16          period at the end of the first sentence and immediately  
17          before the second comma in the second sentence of  
18          paragraph Second of section 13 thereof (12 U.S.C.  
19          781 Second) the following: “and which mortgages may  
20          include farm land within other farm credit districts to  
21          the extent authorized by the Farm Credit Ad-  
22          ministration”;

23          (c) by striking “and unless owners of stock in the  
24          corporation assume personal liability for the loan to  
25          the extent required under rules and regulations pre-

scribed by the Farm Credit Administration” from the fourth sentence of paragraph Sixth of section 12 thereof (12 U.S.C. 771 Sixth) ; and

(d) by substituting “an amount specified by the Farm Credit Administration” for “\$100,000” in paragraph Seventh of section 12 thereof (12 U.S.C. 771 Seventh).

#### FEDERAL INTERMEDIATE CREDIT BANKS

SEC. 3. Title II of the Federal Farm Loan Act, as amended, is amended—

(a) in section 202 (a) thereof (12 U.S.C. 1031), by deleting “and” at the end of paragraph (2), by substituting “; and” for the period at the end of paragraph (3), and by adding the following new paragraph:

“(4) to purchase for investment obligations of the Federal land banks and the banks for cooperatives and, to the extent authorized by the Farm Credit Administration, obligations of any agencies of the United States.”; and

(b) by changing section 208 (b) thereof (12 U.S.C. 1092) to read as follows: “The Farm Credit Administration may require reports in such form as it may specify from any or all of the Federal intermediate credit banks whenever in its judgment the same are necessary for a

1 full and complete knowledge of its or their financial con-  
2 dition or operations.”

3 BANKS FOR COOPERATIVES

4 SEC. 4. Sections 41 and 34 of the Farm Credit Act  
5 of 1933, as amended (12 U.S.C. 1134c and 1134j), are  
6 each amended by striking from clause (a) in the first  
7 sentence thereof the following: “, for any of the purposes  
8 and subject to the conditions and limitations set forth in  
9 such Act, as amended”.

10 FARM CREDIT BOARD ELECTIONS

11 SEC. 5. The Farm Credit Act of 1937, as amended,  
12 is amended by substituting “sixty” for “thirty” in the  
13 last sentence of section 5 (e) thereof (12 U.S.C. 640e)  
14 and in the third last sentence of section 5 (f) thereof (12  
15 U.S.C. 640f) and by inserting the following immediately  
16 before the period at the end of each of such sentences:  
17 “, except that for elections to fill vacancies the Farm  
18 Credit Administration may specify a shorter period than  
19 sixty days but not less than thirty days”. This section  
20 shall be effective after the calendar year in which it is  
21 enacted.

22 FEDERAL FARM CREDIT BOARD

23 SEC. 6. Section 4 (f) of the Farm Credit Act of 1953  
24 (12 U.S.C. 636c (f)) is amended by substituting “\$100”  
25 for “\$50” therein.





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# A BILL

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To amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes.

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By Mr. ELLENDER and Mr. TAMMADGE

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JANUARY 26, 1966

Read twice and referred to the Committee on  
Agriculture and Forestry







for Forest Service land acquisition under the fund. The budget estimates proposed \$13,170,000.

14. ADJOURNED until Mon., Apr. 4. p. 7000

SENATE

15. FARM LOANS. A subcommittee of the Agriculture and Forestry Committee voted to report for full committee consideration S. 2822, to amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and S. 1126, ~~to amend the emergency loan authority of the Secretary of Agriculture under subtitle C of the Consolidated Farmers Home Administration Act of 1961 to authorize such loans in areas where credit is not otherwise available because of serious economic conditions for farmers or ranchers.~~ p. D276

ITEMS IN APPENDIX

16. RECLAMATION. Speech in the House by Rep. Aspinall urging approval of H. R. 2829, authorizing the operation of the Manson unit, Chelan division, Chief Joseph Dam project, Wash. p. A1863-4
17. SOYBEANS. Extension of remarks of Rep. Latta stating that "Secretary Freeman has announced that soybeans can be planted under provisions of the 1966 feed grain program," and commending his district for its soybean production. p. A1865
18. SCHOOL LUNCH; MILK. Rep. Sisk inserted a Calif. Legislature resolution urging Congress "to restore the \$3 million cut in the current budget for the special milk program and to increase the proposed appropriations...for the school lunch program." p. A1867
19. OPINION POLL. Rep. Mailliard inserted the results of a questionnaire including items of interest to this Department. pp. A1867-8
20. INFLATION. Extension of remarks of Rep. Bob Wilson stating that the shoe industry's reported intention to raise the price of shoes is "another increase in the cost of living--a trend that is becoming a habit under the great high society," and that the Government should "set an example of fiscal responsibility." p. A1866  
Rep. Arends inserted an article, "Effects of the Rise in Living Costs. p. A1870
21. EDUCATION. Extension of remarks of Rep. Green, Oreg., commending and inserting a speech given at a conference on Federal programs in health, education, and welfare, "Local and State Responsibilities in the Federal Programs." pp. A1871-3
22. MINIMUM WAGE. Rep. Belcher inserted an article, "Minimum Wage Laws Assailed," which states that "minimum wage laws are a real economic inequity." p. A1874
23. WATER RESEARCH. Speech in the House by Rep. Aspinall urging enactment of H. R. 3606, the water research bill. pp. A1880-1

24. GI BENEFITS. Extension of remarks of Rep. Quillen commending passage of the cold war GI bill and inserting Cmdr. Frith's comments on the implementation of this bill. pp. A1864-5
25. GAO REPORTS. Rep. Dole inserted an article, "Watchdog Getting Teeth Pulled," critical of alleged withholding of GAO reports. p. A1875

#### BILLS INTRODUCED

26. WATER RESOURCES. H. R. 14192 by Rep. Hamilton, granting the consent of Congress to a Great Lakes Basin compact; to Foreign Affairs Committee.  
H. R. 14194 by Rep. Howard, to provide for a comprehensive review of national water resource problems and programs; to Interior and Insular Affairs Committee.
27. WATERSHEDS. H. J. Res. 1003 by Rep. Callan and H. J. Res. 1007 by Rep. Hansen, expressing the intent of the Congress with respect to appropriations for watershed planning for fiscal year 1966; to Appropriations Committee. Remarks of Rep. Hansen, pp. 6990-1
28. RESEARCH ANIMALS. H. R. 14178 by Rep. Ashbrook, to authorize the Secretary of Agriculture to regulate the transportation, sale, and handling of dogs, cats, and other animals intended to be used for purposes of research or experimentation; to Agriculture Committee.
29. PRICES. H. R. 14186 by Rep. Fino, to amend the Employment Act of 1946 to provide for a Minority Economic Council; to Government Operations Committee. Remarks of author p. A1867
30. RECLAMATION. H. R. 14202 by Rep. Moss, to authorize the Secretary of the Interior to construct, operate, and maintain the initial phase of the east side division, Central Valley project, California; to Interior and Insular Affairs Committee.
31. MILK. H. R. 14203 by Rep. Multer, to provide a permanent special milk program for children; to Agriculture Committee.
32. PERSONNEL. H. R. 14212 by Rep. Schisler, to adjust the rates of basic compensation of certain employees of the Federal Government; to Post Office and Civil Service Committee.
33. BUTTER. H. R. 14213 by Rep. Stratton, to amend title 10 of the United States Code to require that the daily ration of members of the Army and Air Force contain at least as much butter as the daily ration prescribed for members of the Navy; to Armed Services Committee.
34. LANDS. H. R. 14218 by Rep. King, to provide for the lease of certain public lands for ponding and related purposes; to Interior and Insular Affairs Committee.
35. TRAILS; RECREATION. H. R. 14222 by Rep. Rivers, to establish a nationwide system of trails; to Interior and Insular Affairs Committee. Remarks of author pp. A1875-6







April 7, 1966

SENATE

17. FARM LOANS. The Agriculture and Forestry Committee reported with amendment S. 2822, to amend various provisions of the laws administered by the Farm Credit Administration and to improve operations thereunder (S. Rept. 1102). p. 7573
18. OCEANOGRAPHY. Conferees were appointed on S. 944, to provide for expanded research in the oceans and the Great Lakes, and to establish a National Oceanographic Council (pp. 7571-3). House conferees have not yet been appointed.
19. INFLATION. Sen. Proxmire inserted excerpts from an article setting forth the "battle the administration is putting up in order to hold prices down" and stop inflation, and a speech delivered by Secretary of Treasury Fowler "on the brilliant performance of this economy of ours." pp. 7579-80, 7580-6
20. MILK. Sen. Proxmire criticized the proposed Child Nutrition Act, stating that it will result in "a lower rather than a higher nutrition standard for our Nation's schoolchildren," and inserted a supporting article. pp. 7586-7
21. AGRICULTURE. Sen. Russell, S. C., stated that although "American agriculture stands out as our greatest success story...we cannot feed and clothe the world" and that the "challenge is more in sharing our farm technology than our products or yield." pp. 7598-9
22. AID TO INDIA. Sen. Montoya commended the President's proposed program to aid India. p. 7603
23. LEGISLATIVE ACCOMPLISHMENTS. Sen. Mansfield commended and summarized the Senate's activities to date this session of Congress. pp. 7609-12
24. FOREIGN AID; ALLIANCE FOR PROGRESS. Sen. Javits commended accomplishments under the Alliance for Progress with Latin American countries during the past five years, and inserted several items reviewing accomplishments, including discussions of agrarian reform. pp. 7587-94
25. NATIONAL GRANGE. Sen. Metcalf commended the work and leadership of the National Grange in the field of agricultural development. p. 7595
26. ADJOURNED until Wed., Apr. 13. p. 7612

ITEMS IN APPENDIX

27. NATURAL BEAUTY. Extension of remarks of Rep. Quillen commending and inserting an article, "Natural Beauty Preservation Is Job For Everyone." pp. A2027-8
28. INFLATION. Extension of remarks of Rep. Philbin expressing hope that business, labor, and Government, will "follow the guidelines that have been laid down by the President" to control inflation. p. 2050
29. LIVESTOCK. Extension of remarks of Rep. Bandstra supporting of his bill "to prohibit the large-scale feeding of livestock by meatpacking firms and retail chainstores engaged in meatpacking operations," and inserting notice of hearings on this bill. p. A2030

30. RECREATION. Extension of remarks of Rep. Saylor commending the proposed "Operation Golden Eagle" program, a permit to more than 7,000 Government recreation areas. p. A2034
31. GAO. Rep. Rumsfeld inserted an editorial, "Saved \$186,780,000," praising the work of the General Accounting Office. pp. A2034-5
32. CONSUMER. Extension of remarks of Rep. May stating that in the need for consumer protection "the emphasis should be put on consumer information and proper dissemination of this information," and inserting a speech on the subject. pp. A2036-8
33. WATER POLLUTION. Rep. Dorn inserted a resolution adopted by the American Textile Manufacturers Institute urging the adoption of a program which would provide for all industries the accelerated tax depreciation of facilities for controlling water pollution. pp. 2045-6
34. OPINION POLL. Rep. Smith, N. Y., inserted the results of a questionnaire including items of interest to this Department. pp. A2049-50
35. INFORMATION. Rep. Fulton, Penn., inserted a letter he has mailed to his constituents offering them various agriculture pamphlets. pp. A2057-8
36. POTOMAC RIVER BASIN. Extension of remarks of Rep. Mathias calling for citizen participation in planning for the conservation and development of the Potomac River and inserting an article, "Civic Action in River Basins." pp. A2062-63

#### BILLS INTRODUCED

37. EDUCATION. S. 3205 by Sen. Mondale, to amend the Vocational Education Act of 1963 to strengthen the work-study program for vocational education students; to Labor and Public Welfare Committee. Remarks of author pp. 7573-7  
H. R. 14401 by Rep. Harvey, to amend title I of Public Law 874, 81st Congress with respect to the method of computing payments thereunder; to Education and Labor Committee.
38. TRAILS. H. R. 14409 by Rep. Moorhead, to establish a nationwide system of trails; to Interior and Insular Affairs Committee.
39. ORGANIZATION. H. R. 14410 by Rep. Patten, to establish a Department of Transportation; to Government Operations Committee.
40. PERSONNEL. H. R. 14412 by Rep. Pepper, to amend the Civil Service Act of January 16, 1883, to modify the regulatory requirement that the son or daughter of an employee of a Federal agency may not be appointed to part-time, seasonal, intermittent, or other temporary employment; to Post Office and Civil Service Committee.
41. WILDLIFE. H. R. 14414 by Rep. Reuss, to amend the Fish and Wildlife Coordination Act to make it applicable to the Atomic Energy Commission, the Federal Power Commission, and to permittees and licensees of such Commissions; to Merchant Marine and Fisheries Committee.



SIMPLIFICATION OF LAWS ADMINISTERED BY FARM  
CREDIT ADMINISTRATION

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APRIL 7, 1966.—Ordered to be printed

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Mr. TALMADGE, from the Committee on Agriculture and Forestry,  
submitted the following

## REPORT

[To accompany S. 2822]

The Committee on Agriculture and Forestry, to which was referred the bill (S. 2822) to amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

## HEARINGS

Hearings were conducted on February 24 by the Subcommittee on Agricultural Credit and Rural Electrification.

## SHORT EXPLANATION

This bill provides for the following:

## I. With respect to Federal land banks—

(1) Permitting reports on loan applications and applicants to be made by the manager or other employee of the Federal land bank association (instead of a loan committee of three or more);

(2) Permitting mortgages to include land in other farm credit districts;

(3) Repealing the statutory requirement that stockholders assume personal liability to the extent required by Farm Credit Administration regulations or loans to corporate borrowers;

(4) Permitting the FCA to specify the maximum amount which may be loaned to any one borrower without obtaining FCA approval (in lieu of the present statutory specification of \$100,000).

## II. With respect to Federal intermediate credit banks—

(1) Permitting FICB's to invest in obligations of the land banks, banks for cooperatives, and any agencies of the United States.

(2) FICB financial reports when and in the form deemed necessary by FCA (instead of a minimum of three annually prepared and published as specified by statute).

### III. With respect to the banks for cooperatives—

(1) Repealing the general requirement that loans be restricted to the purposes and subject to the conditions and limitations set forth in the Agricultural Marketing Act. (The Agricultural Marketing Act would continue effective to define the farmer cooperative associations eligible to borrow from the banks for cooperatives, but such general restrictions as those contained in section 7 of the Agricultural Marketing Act relating to purpose, kind, amount, security, plan, and period of repayment would be removed. The maximum interest rate prescribed by the Agricultural Marketing Act would be continued, but as a provision of the Farm Credit Act of 1933 rather than of the Agricultural Marketing Act.)

### IV. With respect to the FCA generally—

(1) Providing for 60 (instead of 30) days for the return of ballots in elections of district board members and nominations of Federal board members, but permitting the FCA to specify a period from 30 to 60 days for elections to fill vacancies.

(2) Increasing the compensation of Federal board members to \$100 (from \$50) per day engaged in official duties, not exceeding 75 days per year.

## COMMITTEE AMENDMENT

The purpose of section 4 of the bill, as introduced, is to amend the Farm Credit Act of 1933, as amended, to authorize the banks for cooperatives to make loans as therein provided, subject to such terms and conditions as may be prescribed by the Farm Credit Administration, and further subject to only two of the provisions now contained in the Agricultural Marketing Act of 1929, as amended. One of the provisions in the Agricultural Marketing Act that is to continue applicable is section 15(a), which contains the definition of a farmer cooperative association that is eligible to borrow (12 U.S.C. 1141j(a)). The second provision in the Agricultural Marketing Act that is to continue applicable is section 8(a), which specifies that the interest rate on loans by any bank for cooperatives may not exceed 6 percent (12 U.S.C. 1141f(a)).

The committee recommends that section 4 of the bill be expanded to transfer the interest rate provision to the Farm Credit Act of 1933. By deleting it from section 8(a) of the Agricultural Marketing Act, it is intended to make clear that subsections (b), (c), and (d) which now follow it in section 8 will have no application to loans by the banks for cooperatives. In other words, there then will be no basis on which "any such loan" in section 8(b), "loans to any cooperative association" in section 8(c), or "loan" in section 8(d), might be construed to refer to loans by the banks for cooperatives. This is because the presently antecedent sentence in section 8(a), which specifically refers to loans by such banks, will have been deleted and transferred to the 1933 act.

## GENERAL STATEMENT

As reported by the committee, the bill consists of nine amendments to various provisions of the Federal Farm Loan Act, the Agricultural Marketing Act, and the Farm Credit Acts of 1933, 1937, and 1953.



All of these laws are administered by the Farm Credit Administration and the amendments are designed to improve operations thereunder. There are four amendments which concern the Federal land banks, two which concern the Federal intermediate credit banks, one which concerns the banks for cooperatives, one which concerns farm credit board elections, and one which concerns compensation for the Federal Farm Credit Board. Representatives of the general farm organizations that testified or submitted statements were generally in favor of the amendments. Before explaining the provisions of the bill in detail, background information will be given as to the Cooperative Farm Credit System as a whole. Further background information on the different banks systems will be included with the more detailed explanation of the amendments that concern them.

### BACKGROUND—COOPERATIVE FARM CREDIT SYSTEM

The United States is divided into 12 farm credit districts consisting of from 1 to 8 States (and Puerto Rico). There are in each district a Federal land bank, from 28 to 90 Federal land bank associations, a Federal intermediate credit bank, from 26 to 71 production credit associations, and a bank for cooperatives. In each district, the Federal land bank makes long-term land mortgage loans to farmers through the land bank associations; the production credit associations make short- and intermediate-term loans to farmers and ranchers with funds obtained by rediscounting the loans with the Federal intermediate credit bank which also discounts agricultural loans made by other financing institutions; and the bank for cooperatives makes loans to cooperative associations which are engaged in marketing farm products, purchasing farm supplies, or rendering farm business services.

Each district has a farm credit board which also serves as the board of directors of each of the three banks. Each district board consists of seven members, two elected by the Federal land bank associations, two elected by the production credit associations, two elected by the stockholders of the bank for cooperatives, and one appointed by the Governor of the Farm Credit Administration with the concurrence of the Federal Farm Credit Board. Each land bank association and production credit association has its own board of directors which is elected by the members who obtained loans through or from the association. There is a Central Bank for Cooperatives located in the District of Columbia, which has a separate board of directors.

The activities of these 37 banks and about 1,190 local associations are subject to supervision, examination, and coordination by the Farm Credit Administration which is an independent agency in the executive branch of the U.S. Government. The agency consists of the Federal Farm Credit Board, the Governor, and other officers and employees.

The Federal Farm Credit Board is a part-time policymaking Board which consists of 13 members, 12 of whom are appointed by the President with the advice and consent of the Senate. In making the appointments, one from each of the farm credit districts, the President is required to receive and consider nominations by the three user groups in each district (i.e., the Federal land bank associations, the production credit associations, and the stockholders of the bank for

cooperatives). The 13th member of the Board is designated by the Secretary of Agriculture as his representative on the Board.

Under the general supervision and direction of the Federal Farm Credit Board, the Governor is responsible for the execution of the laws creating the powers, functions, and duties of the Farm Credit Administration. Expenses of the Farm Credit Administration are not paid from Treasury funds but are paid through assessments against the banks and associations of the system.

## EXPLANATION OF BILL (WITH COMMITTEE AMENDMENT)

### FEDERAL LAND BANKS

*Background.*—The 12 Federal land banks, 1 in each farm credit district, were established in 1917 to make long-term land mortgage loans to farmers and ranchers as provided in the Federal Farm Loan Act. Each borrower from a Federal land bank is required to become a member of the Federal land bank association through which his loan is made. The borrower buys capital stock of the association in an amount equal to 5 percent of the face amount of the loan and the association is required to purchase an equal amount of stock in the Federal land bank of the district. By this means all the capital stock of the 719 Federal land bank associations is owned by their farmer members and the associations in turn have owned all of the stock of the Federal land banks since 1947 when the last of the Government capital in the banks was retired. The loan funds of the Federal land banks are obtained primarily through the sale of consolidated bonds to the investing public.

A Federal land bank loan must be secured by a first mortgage on the farm or ranch of the borrower. The amount loaned in any case may not exceed 65 percent of the appraised normal value of the farm or ranch offered as security, plus the amount of the stock required to be purchased (5 percent of the face amount of the loan). Since the banks obtain their loan funds chiefly through the sale of consolidated bonds to the investing public, interest on loans made to farmers varies with the cost of money and differences in administrative cost. At the present time, 11 of the banks are making loans at 5½ percent and one charges an interest rate of 5.2 percent. There is a statutory limit of 6 percent. A land bank loan may not be made for more than 40 years but most of them have maturities of 20 to 35 years. Presently there are some 384,000 land bank loans outstanding in the approximate amount of \$4.3 billion.

*Section 2(a).*—To obtain a Federal land bank loan, an application is submitted to the bank through the local Federal land bank association. Before a loan is closed, the Federal Farm Loan Act, as it now reads (12 U.S.C. 751-7, 712), requires the following procedure:

(1) A written report on the security is made by an appraiser designated or appointed by the Federal land bank of the district. This appraiser may be the manager or another employee of the association.

(2) A written report is made by the association loan committee which consists of three or more members of the association who are borrowers from the land bank. The manager of the association is also eligible for membership on the loan committee. The committee is elected by the board of directors of the association



and, in addition to approving loans on behalf of the association, it may also be authorized to elect applicants to membership in the association.

(3) Final approval of a loan is by the Federal land bank, but no loan may be made unless the report of the appraiser and the report of the association loan committee are favorable.

Under step (2), the association loan committee report form often must be taken out to the members for approval and signature. This may involve two or three separate trips to the homes of the members in different parts of the association territory. The present amendment would permit this step in the present procedure to be modified. It would do this by rendering report and approval by the manager or another employee of the association acceptable, if duly authorized, in lieu of action by its loan committee. This is claimed to be warranted in many instances because of the training and experience of such personnel. Without minimizing the importance of approval action by members of the association, it is recognized that there are circumstances in which an association would want to and would be justified in giving this responsibility to a competent manager or other employee. To what extent an association chooses to do so would be determined by its own board of directors. It would also be subject to authorization by the board of directors of the Federal land bank of the district and by the Farm Credit Administration. One of the limitations intended by the Farm Credit Administration is that the manager or other employee authorized to act in lieu of the association loan committee shall not act on a loan in which he is interested directly or indirectly. The Farm Credit Administration has indicated, too, that actions by the manager or other employee under the new authority would be reviewed by the association loan committee or board of directors at their next meeting. The committee has been assured that this review will also cover applications on which the recommendation by the manager or other employee was not favorable.

*Section 2(b).*—This amendment concerns an applicant for a Federal land bank loan who owns and is farming as a single operation land in more than one farm credit district. Under existing law, Federal land bank loans "shall be secured by duly recorded first mortgages on farmland within the farm credit district in which the land is situated" (12 U.S.C. 771 First). To the existing law, section 2(b) would add:

and which mortgages may include farmland within other farm credit districts to the extent authorized by the Farm Credit Administration.

An identical addition would be made with reference to first mortgages which a Federal land bank is authorized to acquire otherwise than by making new loans, i.e., by investment or purchase (12 U.S.C. 781 Second). The stated intention is to permit an applicant with a farming operation in more than one district to be served by one land bank instead of borrowing from two or more such banks. There is no intention to permit a Federal land bank to lend on farmland outside of its own district except in connection with farmland in its own district, all being owned and operated by a single eligible applicant. The committee understands, in addition, that Farm Credit Administration regulations will require the concurrence of the Federal land bank for the district in which the land is situated before another Federal land bank may make a loan on it.

*Section 2(c).*—The major statutory eligibility requirements for Federal land bank loans are (12 U.S.C. 771 Sixth):

No such loan shall be made to any person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations. \* \* \* the term "person" includes an individual or a corporation engaged in farming operations; \* \* \* but no such loan shall be made to a corporation unless the principal part of its income is derived from farming operations *and unless owners of stock in the corporation assume personal liability for the loan to the extent required under rules and regulations prescribed by the Farm Credit Administration.* \* \* \*

Section 2(c) would strike out the italicized words. This would eliminate the assumption of personal liability by a stockholder as an eligibility requirement for a Federal land bank loan to a corporation. The stated intention is that such assumption of personal liability may instead be required for credit and policy reasons. Such supervisory guidelines as are deemed necessary in this respect would be covered in rules and regulations issued by the Farm Credit Administration.

Most Federal land bank loans are made to individual farmers or ranchers, although loans to corporations have been authorized since 1935. For the last calendar year, the total of the loans to corporations has been 0.65 percent in number and 4.52 percent in amount of all of the loans made by the 12 Federal land banks.

By the present amendment, there is no intention to increase or prefer corporate farming over family or individual farming. It is recognized, though, that there are families and individuals who have organized a corporation for their farming. In most cases it is expected that at least some of them, as stockholders, will continue to be required to provide personal liability for a loan to their corporation for credit or policy reasons. This would have to be done in any cases where the local Federal land bank association, which indorses and thereby incurs liability for the loan, conditions its favorable recommendation on such personal liability being required. However, in instances where such assumption of personal liability is not obtainable, and the loan otherwise meets all requirements, it is thought that the Federal land banks should no longer in every instance be precluded from making a loan for want of such personal liability. While this amendment will enlarge the possible loan service for only a limited number of applicants, any increased lending under it will also benefit the banks and all of their borrowers.

*Section 2(d).*—Under existing law, "The amount of loans to any one borrower may not exceed \$100,000 unless approved by the Farm Credit Administration \* \* \*" (12 U.S.C. 771 Seventh). In this requirement section 2(d) would substitute "an amount specified by the Farm Credit Administration" for the "\$100,000" limitation. This will leave it for the Farm Credit Administration to specify the size of the loans which a Federal land bank may close without the prior approval of the Farm Credit Administration. The committee sees no objection to giving the Farm Credit Administration such discretion in view of the successful lending experience of the land banks. In the last calendar year, 1,118 out of a total of 58,403 Federal land bank



loans were in excess of \$100,000. The average size of an outstanding Federal land bank loan is \$11,100.

The present amendment refers only to the size of a loan which may be closed by a Federal land bank without the prior approval of the Farm Credit Administration. It has no reference to the maximum loan which may be made. That is now fixed by the Farm Credit Administration at not more than the higher of (1) 10 percent of the net worth of the bank making the loan, or (2) one-twelfth of 10 percent of the combined net worth of all Federal land banks. As recognized under the preceding amendment, sound loan volume benefits both the banks and their borrowers. The committee presently sees no occasion to object to it, so long as the lending is to applicants who are within the letter and spirit of the eligibility requirements quoted under the preceding amendment.

#### FEDERAL INTERMEDIATE CREDIT BANKS

*Background.*—The 12 Federal intermediate credit banks, 1 in each farm credit district, are organized and operate under title II which was added to the Federal Farm Loan Act by the Agricultural Credits Act of 1923. Their function is to finance the 471 production credit associations and over 100 other financing institutions that make short- and intermediate-term loans to farmers and ranchers. The total of such financing by the credit banks during 1965 was \$5.3 billion. Over 90 percent of such business was with the production credit associations.

The credit banks do this financing by discounting for the production credit associations and the other financing institutions, with their endorsement, the notes taken by them from the farmers and ranchers, and also by making loans to the associations and other financing institutions secured by such collateral as may be approved by the Governor of the Farm Credit Administration. Loans may also be made to the associations without collateral to the extent authorized by the Farm Credit Administration. The loan funds of the credit banks are obtained chiefly through the sale of their consolidated debentures to the investing public so that the interest and discount rates which the banks charge depend upon the rates of interest which the banks have to pay on their debentures and differences in administrative cost. The presently approved rates for the different banks range from  $5\frac{1}{4}$  to  $5\frac{3}{4}$  percent.

About 35 percent of the total capital stock of the Federal intermediate credit banks is owned by the production credit associations, and the other 65 percent continues to be owned by the Government. Under amendments enacted in 1956 and 1965, it is intended that the associations eventually will come to own all of the capital stock in such banks as their Government capital is gradually retired.

*Section 3(a).*—To the existing powers of the Federal intermediate credit banks would be added authority "to purchase for investment obligations of the Federal land banks and the banks for cooperatives and, to the extent authorized by the Farm Credit Administration, obligations of any agencies of the United States." The latter obligations would include consolidated notes of the Federal home loan banks and securities issued by the Federal National Mortgage Association.

Similar investments are now permitted for the Federal land banks and the banks for cooperatives.

Under existing law, the credit banks have been limited to investments in U.S. Government bonds for their funds which are not immediately needed for financing the production credit associations and other financing institutions for lending to farmers and ranchers. Such additional investment authority would add flexibility through a wider choice of investment media of various maturities. In most instances, too, it would provide the credit banks with a higher interest yield on such investments. While such additional investments would be mostly for a short term, they nonetheless would be available, if needed, as collateral for debentures issued by the Federal intermediate credit banks and as collateral for other borrowings. If used as collateral for debentures, the additional investments would be a relatively minor part of the debenture collateral which in the main consists of loans discounted for or made to the production credit associations and other financing institutions.

*Section 3(b).*—Existing law (12 U.S.C. 1092) specifically requires each Federal intermediate credit bank to make three reports a year to the Farm Credit Administration as to the resources and liabilities of the banks, verified by an officer, and signed by at least three directors. Such reports must be published in a newspaper where the bank is located and are subject to proof of publication. Special reports may also be required by the Farm Credit Administration. In lieu of the existing requirements, section 3(b) would provide that:

The Farm Credit Administration may require reports in such form as it may specify from any or all of the Federal intermediate credit banks whenever in its judgment the same are necessary for a full and complete knowledge of its or their financial condition or operations.

The Farm Credit Administration presently keeps informed of the condition of the banks by requiring monthly reports and through examinations of the banks. The amendment would make no change in this respect. What it would do is relieve the banks of locally publishing their separate sworn and attested statements at least three times a year. Inasmuch as the individual banks have not separately issued debentures since 1935, what may once have been deemed a reason for the present local publication requirement no longer exists. In any event, the separate statements of each bank are widely distributed in its district to all who have an interest in the bank and to anyone on request. Since the banks may not accept deposits, there is no depositor group to be considered. Of more interest to the investing public are the consolidated financial and earnings statements of the 12 banks, since the banks are jointly and severally liable for their consolidated debentures. These are available in a brochure that is distributed to debenture dealers, commercial banks, and other interested parties. They also are widely circulated by investment services and periodicals. Among other places, both the individual and the consolidated statements are included in the annual report of the Farm Credit Administration to Congress and in the audit reports of the Comptroller General.



## BANKS FOR COOPERATIVES

*Background.*—The 13 banks for cooperatives, 1 in each farm credit district and the Central Bank for Cooperatives in the District of Columbia, were organized under the Farm Credit Act of 1933. They make loans to farmers' marketing, purchasing, and service cooperatives. Three distinct types of loans are made: facility, commodity, and operating capital loans. Since the loan funds of the banks, other than those available from their capital and surplus, are obtained from the sale of consolidated debentures to the investing public, interest rates charged by the banks for cooperatives depend, to a large extent, upon the rates they have to pay on their debentures. Interest rates vary with the type and term of loan and between banks. At the present time, interest rates charged by the banks for cooperatives range from a low of  $4\frac{3}{4}$  percent to a high of  $5\frac{3}{4}$  percent. The legal maximum is 6 percent.

The banks for cooperatives were capitalized by the United States out of the revolving fund from which the Federal Farm Board previously made loans to cooperatives under the Agricultural Marketing Act of 1929. Since the Farm Credit Act of 1955, the Government capital in the banks for cooperatives is being systematically retired by the creation of permanent capital provided by the users of the banks. The maximum Government capital ever in the banks has been reduced by about 71 percent. Two of the banks for cooperatives (Berkeley and Houston) retired all of their Government capital in 1965, and the other banks are expected to do so by 1970.

*Section 4.*—As now in effect (12 U.S.C. 1134c, 1134j), the Farm Credit Act of 1933 provides that—

Subject to such terms and conditions as may be prescribed by the Farm Credit Administration,

the 12 district banks for cooperatives and the Central Bank for Cooperatives are authorized—

(a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended.

Section 4 of the bill, as introduced, would delete the words:

for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended.

With the committee amendment, section 4 would also transfer to the Farm Credit Act of 1933 the sentence, now contained in the Agricultural Marketing Act (12 U.S.C. 1141f(a)), which specifies that the interest rate on loans by any bank for cooperatives may not exceed 6 percent.

The amended authority of the banks for cooperatives in the 1933 act then would be:

Subject to such terms and conditions as may be prescribed by the Farm Credit Administration \* \* \* (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended.

The only provision of the Agricultural Marketing Act hereafter applicable would be section 15(a), which defines the farmer cooperative associations that are eligible to borrow (12 U.S.C. 1141j(a)). All other loan provisions of the Agricultural Marketing Act would no longer be applicable.

The more significant provisions that would be rendered inapplicable are those contained in section 7 of the Agricultural Marketing Act, as amended (12 U.S.C. 1141e). Most of such provisions originated in 1929 when loans were made from the revolving fund established under the act which then also provided for other programs which have since been discontinued. As currently in effect, the provisions that would be rendered inapplicable may be summarized as follows:

(1) Under section 7, physical facility loans may not exceed 60 percent of the appraised value of the security therefor (7(c)(1)) and must be repaid upon an amortization plan over a period not in excess of 20 years (7(d)). Further, no loan for the purchase or lease or facilities may be made unless the Governor of the Farm Credit Administration finds that the purchase price or rent to be paid is reasonable (7(c)(2)).

(2) The separate references to loans to construct or acquire or refinance physical facilities (7(a)(2)), loans to assist in the effective merchandising of agricultural commodities and food products thereof, and loans to a cooperative association for financing its operations (7(a)(1)), in effect constitute a classification of loans. These have come to be referred to as facility, commodity, and operating capital loans. Starting in 1933 the statutory interest rate provision for commodity and operating capital loans was different than for facility loans. However, in 1955 that distinction was removed, and since then all loans have been subject to the same general interest provision which will continue applicable as noted earlier. If the present separate statutory provisions for facility loans are now to become inapplicable, it is considered to follow that there no longer would be occasion for the present separate classes of loans.

(3) At present section 7(b) also provides that the loans shall be in furtherance of the policy declared in section 1 of the Agricultural Marketing Act of 1929 (12 U.S.C. 1141), many of the purposes of which have since expired and no longer are relevant. It also requires that the cooperative association applying for the loan has an organization and management, and business policies, of such character as to insure the reasonable safety of the loan and the furtherance of such policy.

Inasmuch as the banks for cooperatives have now had over 33 years of lending experience during which time almost 48,000 loans for a total of about \$15 billion have been made, it is thought that the statutory provisions that have just been reviewed no longer serve a useful purpose. Without them, but still subject to such terms and conditions as may be prescribed by the Farm Credit Administration, it is thought that the banks for cooperatives will have more flexibility and be in a better position to meet the needs of the farmer cooperatives that are eligible for loans.

At the hearings, the Farm Credit Administration outlined the terms of the regulations it was considering for this lending. Assurance was given that the loans to farmer cooperatives will both meet their needs and conform to adequate credit standards.



## FARM CREDIT BOARD ELECTIONS

*Section 5.*—The Farm Credit Administration conducts polls of the three voting groups in each farm credit district (i.e., Federal land bank associations, production credit associations, and cooperative associations eligible to vote as stockholders of the bank for cooperatives) to elect members to the district farm credit boards and to designate persons for consideration by the President for appointment to the Federal Farm Credit Board. Under existing law (12 U.S.C. 640e, 640f), a ballot may not be counted unless it is received by the Farm Credit Administration within 30 days after it was mailed out. Section 5 would increase the 30-day period to 60, except that for elections to fill vacancies the Farm Credit Administration may specify a shorter period than 60 days but not less than 30 days. This would be effective starting with the next calendar year. The longer period will give the Federal land bank associations and production credit associations more flexibility in scheduling the meetings of their boards of directors at which their vote in those polls is decided upon.

## FEDERAL FARM CREDIT BOARD

*Section 6.*—The Federal Farm Credit Board consists of 13 members, 1 appointed by the President with the advice and consent of the Senate from each of the 12 farm credit districts, and a 13th member who is a representative of the Secretary of Agriculture. This is a part-time Board which has responsibility for the general direction and supervision of the Farm Credit Administration that otherwise consists of the Governor and other employed personnel. The present amendment would increase from “\$50” to “\$100” the sum that each member of the Federal Farm Credit Board shall receive for each day spent in the performance of his official duties. As provided in the Farm Credit Act of 1953, such compensation may not be paid for more than 75 days in a calendar year (12 U.S.C. 636c (f)). The increased compensation would be more in line with that paid other personnel since the Government Employees Salary Reform Act of 1964 and the Federal Employees Salary Act of 1965. As is the case with all administrative expenses of the Farm Credit Administration, the compensation of the members of the Federal Farm Credit Board is paid from assessments against the banks and associations supervised by the Farm Credit Administration.

## DEPARTMENTAL VIEWS

The letter from the Farm Credit Administration requesting enactment of this bill, and the letter from the Department of Agriculture stating that it has no objection to the bill are attached.

DECEMBER 23, 1965.

The Honorable the PRESIDENT OF THE SENATE,  
U.S. Senate.

Dear Mr. President: There is transmitted herewith a proposed bill to amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes. The laws that would be amended relate to Federal land banks, Federal intermediate credit banks, banks for cooperatives, farm credit board elections and compensation of Federal Farm Credit

Board. In this presentation, the amendments are taken up under the headings and numbering used in the proposed bill.

#### FEDERAL LAND BANKS

*Section 2(a).*—Under the Federal Farm Loan Act, there are 12 Federal land banks which make long-term land mortgage loans to farmers and ranchers. One such bank is located in each of the 12 farm credit districts into which the 50 States and Puerto Rico are divided. The loans are made through local Federal land bank associations and each borrower from a land bank becomes a member of the association through which the loan was made. There are from 28 to 90 such associations in the different farm credit districts.

Under existing law (12 U.S.C. 751-7), an association loan committee of three or more members, for which the association manager also is eligible (12 U.S.C. 712), is required to make a written report on each applicant and the security offered and no loan may be made unless the report of the loan committee is favorable. In certain circumstances, and on a permissive basis, it now is intended that the manager or another employee of the association may be authorized to render the kind of written report and approval that otherwise is required of the loan committee. This would be only to the extent authorized by the Farm Credit Administration, the Federal land bank of the district, and the board of directors of the particular association. Further, in lieu of the association directors or loan committee electing an applicant to membership in the association as is now required (12 U.S.C. 712, 745), it is intended that the favorable report and approval by the manager or other employee in such cases shall constitute the applicant a member of the association.

*Section 2(b).*—As to loans made, invested in, or purchased by a Federal land bank, a basic requirement is that they shall be secured by first mortgages on farmland within the farm credit district in which the bank is situated (12 U.S.C. 771 First, 781 Second). On occasion an applicant owns and is farming as a single operation land in more than one farm credit district. In order to enable a single Federal land bank to adequately finance such an applicant, it is proposed to provide that the mortgages taken by a Federal land bank may include farmland within other farm credit districts to the extent authorized by the Farm Credit Administration.

*Section 2(c).*—The major statutory eligibility requirements for Federal land bank loans are (12 U.S.C. 771 Sixth):

"No such loan shall be made to any person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations. \* \* \* the term 'person' includes an individual or a corporation engaged in the farming operations; \* \* \* but no such loan shall be made to a corporation unless the principal part of its income is derived from farming operations *and unless owners of stock in the corporation assume personal liability for the loan to the extent required under rules and regulations prescribed by the Farm Credit Administration.* \* \* \*"

The italicized words would be stricken under the proposal now being made. This would eliminate the assumption of personal liability by a stockholder as an eligibility requirement for a Federal land bank loan to a corporation. The intention is that such assumption of



personal liability may instead be required on the basis of credit factors. Such supervisory guidelines as are deemed necessary in this respect would be covered in rules and regulations issued by the Farm Credit Administration.

*Section 2(d).*—Under existing law, "The amount of loans to any one borrower may not exceed \$100,000 unless approved by the Farm Credit Administration \* \* \*" (12 U.S.C. 771 Seventh). The present proposal is to replace the "\$100,000" with "an amount specified by it". This would leave it to the Farm Credit Administration to specify the amount in excess of which loans would require its prior approval. Under such an amendment, it would be possible, on a permissive basis, to accord the Federal land bank a wider latitude for individual loan action. This is deemed justified in view of the Federal land banks now having nearly 50 years of successful experience in making loans. Aside from the present proposal, the Farm Credit Administration will continue to review the quality of the loans that are made and used as collateral for bonds that are sold to the investing public.

#### FEDERAL INTERMEDIATE CREDIT BANKS

*Section 3(a).*—The 12 Federal intermediate credit banks, 1 in each farm credit district, are organized and operate under title II which was added to the Federal Farm Loan Act by the Agricultural Credits Act of 1923. Their function is to finance the 474 production credit associations and about 100 other financing institutions that make short- and intermediate-term loans to farmers and ranchers.

The credit banks do this financing by discounting for the production credit associations and the other financing institutions, with their endorsement, the notes taken by them from the farmers and ranchers, and also by making loans to the associations and other financing institutions secured by such collateral as may be approved by the Governor of the Farm Credit Administration. The banks are also authorized to make loans to and discount paper for any other Federal intermediate credit bank, any Federal land bank, or any bank for cooperatives.

Under existing law, there is no specific provision for the Federal intermediate credit banks to invest in interest-bearing securities and funds on hand that are not immediately needed for their discount and loan operations. However, since the banks are authorized to use U.S. Government bonds, in addition to the discounts and loans, as collateral for their debentures sold to the investing public, it has been considered to follow that the banks may invest in U.S. Government bonds.

It now is proposed that the Federal intermediate credit banks also should be authorized "to purchase for investment obligations of the Federal land banks and the banks for cooperatives and, to the extent authorized by the Farm Credit Administration, obligations of any agencies of the United States." Aside from yielding income on otherwise idle funds, such obligations, along with the discounts and loans and U.S. Government bonds, would also be available to use as collateral for the debentures (12 U.S.C. 1041, 1031).

*Section 3(b).*—Under existing law (12 U.S.C. 1092), each Federal intermediate credit bank must make three reports a year to the Farm Credit Administration as to the resources and liabilities of the bank verified by an officer and signed by at least three directors. Such reports must be published in a newspaper. Special reports may

also be required. In lieu of the existing requirements, it is now proposed that "The Farm Credit Administration may require reports in such form as it may specify from any or all of the Federal intermediate credit banks whenever in its judgment the same are necessary for a full and complete knowledge of its or their financial condition or operations."

#### BANKS FOR COOPERATIVES

*Section 4.*—The banks for cooperatives make loans to eligible farmer cooperative associations engaged in marketing farm products, purchasing farm supplies or rendering farm business services. As it now reads (12 U.S.C. 1134c, 1134j), the Farm Credit Act of 1933 provides that "Subject to such terms and conditions as may be prescribed by the Farm Credit Administration, the 12 district banks for cooperatives and the Central Bank for Cooperatives are authorized (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, *for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended.*" The amendment now proposed is to strike the italicized words. The intended effect of this would be to leave the purposes and conditions and limitations of the loans to be prescribed by the Farm Credit Administration, although two provisions of the Agricultural Marketing Act would continue applicable as noted below.

Among the purposes and conditions and limitations in the Agricultural Marketing Act that thus would be rendered inoperative are those contained in section 7 thereof (12 U.S.C. 1141e). More particularly, the purposes or kinds of loans specified in section 7 and the limitations therein as to the amount, security, plan, and period of repayment for facility loans no longer would be applicable as a matter of law although any of them could be prescribed by the Farm Credit Administration.

The following interest rate provision in section 8(a) of the Agricultural Marketing Act, as amended in 1955 (12 U.S.C. 1141f(a)), would continue applicable since by its own terms it refers to a bank for cooperatives:

"(a) Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan."

The definition of a "cooperative association" in section 15(a) of the Agricultural Marketing Act, as amended (12 U.S.C. 1141j (a)), would continue to determine the cooperative associations to which loans may be made by the banks for cooperatives. This is because no change is being made in that part of the provision from the Farm Credit Act of 1933 quoted above which authorizes the banks for cooperatives "to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended."

#### FARM CREDIT BOARD ELECTIONS

*Section 5.*—The Farm Credit Administration conducts polls of the three voting groups in each farm credit district (i.e., Federal land bank associations, production credit associations, and cooperative associations eligible to vote as stockholders of the bank for cooperatives) to



elect members to the district farm credit boards and to designate persons for consideration by the President for appointment to the Federal Farm Credit Board. Under existing law (12 U.S.C. 640e, 640f), a ballot may not be counted unless it is received by the Farm Credit Administration within 30 days after it was mailed out. The proposed amendment would increase the 30-day period to 60, except that for elections to fill vacancies the Farm Credit Administration may specify a shorter period than 60 days but not less than 30 days. This would be effective starting with the next calendar year.

#### FEDERAL FARM CREDIT BOARD

*Section 6.*—The Federal Farm Credit Board consists of 13 members, 1 appointed by the President with the advice and consent of the Senate from each of the 12 farm credit districts, and a 13th member who is a representative of the Secretary of Agriculture. This is a part-time Board which has responsibility for the general direction and supervision of the Farm Credit Administration that otherwise consists of the Governor and other employed personnel. The amendment now being proposed would increase from “\$50” to “\$100” the sum that each member of the Federal Farm Credit Board shall receive for each day spent in the performance of his official duties. As provided in the Farm Credit Act of 1953, such compensation may not be paid for more than 75 days in a calendar year (12 U.S.C. 636c(f)). The increased compensation would be more in line with that paid other personnel since the Government Employees Salary Reform Act of 1964.

\* \* \* \* \*

In addition to the draft of proposed bill there is enclosed herewith a copy of those sections of the acts of Congress proposed to be amended on which is indicated the changes that would be made by the proposed bill.

This submission is as directed by the Federal Farm Credit Board and early consideration and enactment of the proposed bill is recommended.

The Bureau of the Budget has advised that there is no objection to the presentation of the proposed bill from the standpoint of the administration's program.

Very truly yours,

R. B. TOOTELL, *Governor.*

DEPARTMENT OF AGRICULTURE,  
*Washington, D.C., February 23, 1966.*

HON. ALLEN J. ELLENDER,  
*Chairman, Committee on Agriculture and Forestry.*  
*U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your request of January 28, 1966, for a report on S. 2822, a bill to amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes.

This Department has no objection to the bill.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary*.

### CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

## FEDERAL FARM LOAN ACT

### TITLE I.—FEDERAL FARM LOANS

\* \* \* \* \*

#### APPRAISAL

SEC. 10. (a) Whenever an application for a mortgage loan is made to a Federal land bank association, the loan committee provided for in section 7 of this Act shall cause to be made such investigation as it may deem necessary as to the character and solvency of the applicant and the sufficiency of the security offered. When it appears that a loan may be approved, the loan committee shall obtain a written report on the security by an appraiser designated or appointed by the Federal land bank of the district and such appraiser shall investigate and make a written report upon the security offered. Such appraisal, investigation, and report shall be made in accordance with appraisal standards prescribed by the Farm Credit Administration and may be made by any competent person (including an employee of a Federal land bank association) when designated for that purpose by the Federal land bank of the district. The loan committee shall cause a written report to be made of the results of such investigations of the applicant and the security and shall, if it concurs in such report, approve the same in writing. After the loan committee has reached an agreement as to the amount and terms of the loan which may be offered to the applicant, if such amount is not in excess of 65 per centum of the normal value of the security offered as determined by said appraiser, the association may notify the applicant of the amount and terms of the loan approved by the loan committee: *Provided*, That any such notice shall contain a statement that the amount and terms of the loan offered to the applicant are subject to and conditioned upon subsequent approval or disapproval by the Federal land bank.

(b) The written report of the loan committee and the report made by an appraiser designated or appointed by the Federal land bank shall be submitted to the Federal land bank with the application for the loan, and the land bank shall examine said reports when it passes on the loan application which they accompany. No loan shall be made unless the report of the loan committee and the report of the appraiser are favorable.

(c) All appraisal reports shall be made on forms approved by the Farm Credit Administration.



(d) No farm credit appraiser and no appraiser designated or appointed by a Federal land bank shall make any appraisal in connection with a loan in which he is interested, directly or indirectly. No member of a loan committee or of a board of directors of a Federal land bank association shall participate in the consideration of or action on any loan in which he is interested, directly or indirectly.

(e) Each Federal land bank shall conduct studies in such manner and to such extent as the Farm Credit Administration deems necessary in connection with the appraisal standards prescribed for the district.

(f) Notwithstanding the foregoing provisions of this section—

(1) appraisal reports made by appraisers heretofore or hereafter appointed by the Farm Credit Administration pursuant to section 3 of this Act may be used as a basis for Federal land bank loans;

(2) The Farm Credit Administration may, in its discretion and in such circumstances and for such periods as it deems necessary, direct that any or all appraisals in connection with loans by any Federal land bank, or appraisal standards studies required by subsection (e), shall be made by farm credit appraisers appointed pursuant to section 3 of this Act; and

(3) for purposes of paragraph (2) of this subsection, the Farm Credit Administration is authorized to employ additional farm credit appraisers, including such appraisers as it may select who have been designated or appointed by a Federal land bank, and to require that the salaries and other expenses of all such additional appraisers be paid by the Federal land bank served by them in such manner as the Farm Credit Administration shall determine.

(g) Farm credit appraisers appointed pursuant to section 3 of this Act shall make such reviews and investigations as the Farm Credit Administration determines to be necessary to assure compliance with the appraisal standards prescribed by it pursuant to subsection (a) of this section; make such additional reviews and investigations concerning the quality of first mortgages securing farm loan bonds as the Farm Credit Administration shall direct; and perform such other duties as may be prescribed by the Farm Credit Administration. Any first mortgage which is found not to conform to the appraisal and loan standards prescribed by the Farm Credit Administration shall not be credited toward meeting the amount of bond collateral which a Federal land bank is required to maintain with a farm loan registrar except in such amount as the Farm Credit Administration shall approve.

(h) *To the extent authorized by the Farm Credit Administration, the Federal land bank of the district, and the board of directors of a Federal land bank association, a written report and approval by the manager or another employee of the association designated for the purpose shall be acceptable in lieu of the written report and approval otherwise required of the loan committee under this section; and in such cases the favorable report and approval by the manager or other employee shall constitute the applicant a member of the association.*

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## RESTRICTIONS ON LOANS BASED ON FIRST MORTGAGES

SEC. 12. That no Federal land bank organized under this Act shall make loans except upon the following terms and conditions:

First. Said loans shall be secured by duly recorded first mortgages on farm land within the farm credit district in which the bank is situated *and which mortgages may include farm land within other farm credit districts to the extent authorized by the Farm Credit Administration.*

\* \* \* \* \*

Sixth. No such loan shall be made to any person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations. In case of the sale of the mortgaged land, the Federal land bank may permit said mortgage and the stock interests of the vendor to be assumed by the purchaser. In case of the death of the mortgagor, his heir or heirs, or his legal representative or representatives, shall have the option, within sixty days of such death, to assume the mortgage and stock interests of the deceased. As used in this paragraph (1) the term "person" includes an individual or a corporation engaged in farming operations; and (2) the term "corporation" includes any incorporated association; but no such loan shall be made to a corporation unless the principal part of its income is derived from farming operations [and unless owners of stock in the corporation assume personal liability for the loan to the extent required under rules and regulations prescribed by the Farm Credit Administration]. No loan shall be made to any corporation which is a subsidiary of, or affiliated (either directly or through substantial identity of stock ownership) with, a corporation ineligible to procure a loan in the amount applied for.

Seventh. The amount of loans to any one borrower shall not exceed **[\$100,000]** *an amount specified by the Farm Credit Administration* unless approved by the Farm Credit Administration, nor shall any one loan be for a less sum than \$100, but preference shall be given to applications for loans of \$10,000 and under.

\* \* \* \* \*

## POWERS OF FEDERAL LAND BANKS

SEC. 13. That every Federal land bank shall have power, subject to the limitations and requirements of this Act—

\* \* \* \* \*

Second. To invest such funds as may be in its possession in the purchase of qualified first mortgages on farm lands situated within the farm credit district within which it is organized or for which it is acting *and which mortgages may include farm land within other farm credit districts to the extent authorized by the Farm Credit Administration.* In order to reduce and/or refinance farm mortgages, to invest such funds as may be in its possession in the purchase of first mortgages on farm lands situated within the farm credit district within which it is organized or for which it is acting and which mortgages may include farm land within other *farm credit districts to the extent authorized by the Farm Credit Administration*, or to exchange farm-loan bonds for any duly recorded first mortgages on farm lands executed prior to the date this paragraph, as amended, takes



effect, at a price which shall not exceed in each individual case the amount of the unpaid principal of the mortgage on the date of such purchase or exchange, or 50 per centum of the normal value of the land mortgaged and 20 per centum of the value of the permanent insured improvements thereon as determined upon an appraisal made pursuant to this Act, whichever is the smaller: *Provided*, That any mortgagor whose mortgage is acquired by a Federal land bank under this paragraph shall be entitled to have his farm-mortgage indebtedness refinanced in accordance with the provisions of sections of sections 7 and 8 of this Act on the basis of the amount paid by the bank for his mortgage.

\* \* \* \* \*

## TITLE II.—FEDERAL INTERMEDIATE CREDIT BANKS

\* \* \* \* \*

### DISCOUNTS AND LOANS

SEC. 202. (a) The Federal intermediate credit banks, when chartered and established, shall have power, subject solely to the restrictions, limitations, and conditions contained in this Act or as may be prescribed by the Farm Credit Administration not inconsistent with the provisions of this Act—

(1) to discount for, or purchase from, any production credit association organized under the Farm Credit Act of 1933, as amended, with its endorsement, any note, draft, or other such obligation presented by such association; and to make loans and advances to any such association secured by such collateral as may be approved by the Governor of the Farm Credit Administration;

(2) to discount for, or purchase from, any national bank, State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, credit union, and any association of agricultural producers engaged in the making of loans to farmers and ranchers, with its endorsement, any note, draft, or other such obligation the proceeds of which have been advanced or used in the first instance for any agricultural purpose, including the breeding, raising, fattening, or marketing of livestock; and to make loans and advances to any such financing institution secured by such collateral as may be approved by the Governor of the Farm Credit Administration: *Provided*, That no such loan or advance shall be made upon the security of collateral other than notes or other such obligations of farmers and ranchers eligible for discount or purchase under the provisions of this section, unless such loan or advance is made to enable the financing institution to make or carry loans for any agricultural purpose; [and]

(3) to make loans to and discount paper for any other Federal intermediate credit bank, any Federal land bank, or any bank for cooperatives organized under the Farm Credit Act of 1933, as amended, all upon terms and at rates of interest or discount approved by the Farm Credit Administration [.] and

(4) to purchase for investment obligations of the Federal land banks and the banks for cooperatives and, to the extent authorized by the Farm Credit Administration, obligations of any agencies of the United States.

\* \* \* \* \*

## EXAMINATIONS AND REPORTS

SEC. 208. \* \* \*

\* \* \* \* \*

(b) [Every Federal Intermediate Credit Bank shall make to the Farm Credit Administration not less than three reports during each year as requested by the administration and according to the form which may be prescribed by the administration, verified by the oath or affirmation of the president, or secretary, or treasurer, of each Federal Intermediate Credit Bank and attested by the signature of at least three of the directors. Each report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the Federal Intermediate Credit Bank at the close of business on any past day specified by the Farm Credit Administration within five days from the receipt of a request or requisition therefor from the administration, and in the same form in which it is made to the Farm Credit Administration shall be published in a newspaper published in the place where such Federal Intermediate Credit Bank is established, or if there is no newspaper in the place, then in the one published nearest thereto, in the same county, at the expense of the bank; and such proof of publication shall be furnished as may be required by the Farm Credit Administration. The Farm Credit Administration shall also have power to call for special reports from any particular Federal Intermediate Credit Bank whenever in its judgment the same are necessary for a full and complete knowledge of its *[sic]* condition.] *The Farm Credit Administration may require reports in such form as it may specify from any or all of the Federal intermediate credit banks whenever in its judgment the same are necessary for a full and complete knowledge of its or their financial condition or operations.*

\* \* \* \* \*

## AGRICULTURAL MARKETING ACT

\* \* \* \* \*

## MISCELLANEOUS LOAN PROVISIONS

SEC. 8. [(a) Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan.]

(b) Payments of principal or interest upon any such loan or advance shall be covered into the revolving fund.

(c) Loans to any cooperative association or stabilization corporation shall be made upon the terms specified in this Act and upon such other terms not inconsistent therewith and upon such security as the board deems necessary.

(d) No loan or insurance agreement shall be made by the board if in its judgment the agreement is likely to increase unduly the production of any agricultural commodity of which there is commonly produced a surplus in excess of the annual marketing requirements.

\* \* \* \* \*



## FARM CREDIT ACT OF 1933

\* \* \* \* \*

## LENDING POWER OF CENTRAL BANK

SEC. 34. Subject to such terms and conditions as may be prescribed by the Farm Credit Administration, the Central Bank is authorized: (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended [ ], for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended [ ]; (b) to make loans (by way of discount or otherwise) to banks for cooperatives organized under section 2 of this Act or to Federal land banks or Federal intermediate credit banks; (c) to buy from, and sell to, any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and (d) to borrow from, and discount or rediscount paper with, any and all such banks and commercial banks. *Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan.*

Notwithstanding any limitations or conditions imposed by law, but subject to the availability of funds, the Central Bank for Cooperatives shall have power and authority to make separate loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for the purpose of financing the construction of structures for the storage of agricultural commodities (other than structures to provide refrigerated cold storage or structures located in areas in which existing privately owned storage facilities for the commodity concerned are adequate) in amounts up to a maximum of 80 per centum of the cost of such structures, as approved by such bank: *Provided*, That the cooperative association which has applied for any loan shall have furnished to such bank an appropriate commitment from the Commodity Credit Corporation that the Commodity Credit Corporation will lease or guarantee utilization of not less than 75 per centum of the storage space contained in such structures when completed for a period of at least three years if such structures are not additions to existing structures, or two years if such structures are additions to existing structures.

\* \* \* \* \*

## LENDING POWER OF BANKS FOR COOPERATIVES

SEC. 41. Subject to such terms and conditions as may be prescribed by the Farm Credit Administration, the banks for cooperatives are authorized (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended [ ], for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended [ ]; (b) to make loans (by way of discount or otherwise) to any bank organized under this Act or to Federal land banks or Federal intermediate credit banks; (c) to buy from, and sell to, any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and (d) to borrow from, and discount or rediscount paper

with, any and all such banks and commercial banks. *Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan.*

Notwithstanding any limitations or conditions imposed by law, but subject to the availability of funds, each Bank for Cooperatives shall have power and authority to make separate loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for the purpose of financing the construction of structures for the storage of agricultural commodities (other than structures to provide refrigerated cold storage or structures in areas in which existing privately owned storage facilities for the commodity concerned are adequate) in amounts up to a maximum of 80 per centum of the cost of such structures, as approved by the Bank for Cooperatives to whom application is made for the loans: *Provided*, That the cooperative association which has applied for any loan shall have furnished to the Bank for Cooperatives an appropriate commitment from the Commodity Credit Corporation that the Commodity Credit Corporation will lease or guarantee utilization of not less than 75 per centum of the storage space contained in such structures when completed for a period of at least three years if such structures are not additions to existing structures, or two years if such structures are additions to existing structures.

Notwithstanding any other provision of law, any officer or employee of the Farm Credit Administration or of any bank for cooperatives designated to act as custodian of collateral securing loans made by any such bank to any cooperative association eligible to borrow therefrom may, in accordance with regulations of the Farm Credit Administration, act at the same time as custodian of collateral securing loans made by any other lenders to any cooperative association eligible to borrow from any such bank.

\*                      \*                      \*                      \*                      \*                      \*

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### FARM CREDIT ACT OF 1937

\*                      \*                      \*                      \*                      \*                      \*

SEC. 5.   \*   \*   \*

\*                      \*                      \*                      \*                      \*                      \*

(e) At least two months before an election of an elected director the Farm Credit Administration shall cause notice in writing to be sent to those entitled to nominate candidates for such elected director. In the case of an election of a director by Federal land bank associations and borrowers through agencies, such notice shall be sent to all Federal land bank associations and borrowers through agencies in the district; in the case of an election by production credit associations, such notice shall be sent to all production credit associations in the district; and in the case of an election by cooperatives which are stockholders or subscribers to the guaranty fund of the bank for cooperatives of the district, such notice shall be sent to all cooperatives which are stockholders or subscribers to the guaranty fund at the time of sending notice. After receipt of such notice those entitled to nominate the



director shall forward nominations of residents of the district to the Farm Credit Administration. The Farm Credit Administration shall, from the nominations received within [thirty] *sixty* days after the sending of such notice, prepare a list of candidates for such elected director consisting of the ten nominees receiving the highest number of votes, *except that for elections to fill vacancies the Farm Credit Administration may specify a shorter period than sixty days but not less than thirty days.*

(f) At least one month before the election of an elected director the Farm Credit Administration shall mail to each person or organization entitled to elect the elected director the list of the ten candidates nominated in accordance with the preceding paragraph of this section. In the case of an election of a director by Federal land bank associations and borrowers through agencies, the directors of each land bank association shall cast the vote of such association for one of the candidates on the list. In voting under this section each such association shall be entitled to cast a number of votes equal to the number of stockholders of such association and each borrower through agencies shall be entitled to cast one vote. In voting under this section each production credit association shall be entitled to cast a number of votes equal to the number of the class B stockholders of such association. In voting under this section each cooperative which is a holder of stock in, or a subscriber to the guaranty fund of, the bank for cooperatives shall be entitled to cast one vote. The votes shall be forwarded to the Farm Credit Administration and no vote shall be counted unless received by it within [thirty] *sixty* days after the sending of such list of candidates, *except that for elections to fill vacancies the Farm Credit Administration may specify a shorter period than sixty days but not less than thirty days.* In case of a tie the Farm Credit Administration shall determine the choice. The nominations from which the list of candidates is prepared, and the votes of the respective voters, as counted, shall be tabulated and preserved and shall be subject to examination by any candidate for at least one year after the result of the election is announced.

\* \* \* \* \*

FARM CREDIT ACT OF 1953

\* \* \* \* \*

FEDERAL FARM CREDIT BOARD

SEC. 4. \* \* \*

\* \* \* \* \*

(f) Each member of the Board shall receive the sum of [\$50] *\$100* for each day or part thereof spent in the performance of his official duties, which compensation, however, shall not be paid for more than seventy-five days (or parts of days) in any calendar year; and shall not be paid to the Secretary's representative if he is a full-time officer or employee of the United States, or such payment is otherwise prohibited by law; and in addition, shall be reimbursed for necessary travel, subsistence, and other expenses incurred in the discharge of his official duties, without regard to other laws with respect to allow-

ances which may be made on account of travel and subsistence expenses of officers and employed personnel of the United States.

\* \* \* \* \*





Calendar No. 1069

89TH CONGRESS  
2D SESSION

**S. 2822**

[Report No. 1102]

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IN THE SENATE OF THE UNITED STATES

JANUARY 26, 1966

Mr. ELLENDER (for himself and Mr. TALMADGE) introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

APRIL 7, 1966

Reported by Mr. TALMADGE, with an amendment

[Omit the part struck through and insert the part printed in italic]

---

**A BILL**

To amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That the laws administered by the Farm Credit Administra-  
4       tion relating to Federal land banks, Federal intermediate  
5       credit banks, banks for cooperatives, farm credit board elec-  
6       tions and compensation of Federal Farm Credit Board, are  
7       amended as hereinafter provided.

8                               FEDERAL LAND BANKS

9       SEC. 2. Title I of the Federal Farm Loan Act, as  
10      amended, is amended—

1           (a) by adding the following subsection at the end of  
2           section 10 thereof (12 U.S.C. 751-757) :

3           “(h) To the extent authorized by the Farm Credit Ad-  
4           ministration, the Federal land bank of the district, and the  
5           board of directors of a Federal land bank association, a writ-  
6           ten report and approval by the manager or another employee  
7           of the association designated for the purpose shall be accept-  
8           able in lieu of the written report and approval otherwise re-  
9           quired of the loan committee under this section; and in such  
10          cases the favorable report and approval by the manager or  
11          other employee shall constitute the applicant a member of the  
12          association.”

13          (b) by inserting immediately before the period  
14          at the end of paragraph First of section 12 thereof  
15          (12 U.S.C. 771 First) and immediately before the  
16          period at the end of the first sentence and immediately  
17          before the second comma in the second sentence of  
18          paragraph Second of section 13 thereof (12 U.S.C.  
19          781 Second) the following: “and which mortgages may  
20          include farm land within other farm credit districts to  
21          the extent authorized by the Farm Credit Ad-  
22          ministration”;

23          (c) by striking “and unless owners of stock in the  
24          corporation assume personal liability for the loan to  
25          the extent required under rules and regulations pre-

scribed by the Farm Credit Administration” from the fourth sentence of paragraph Sixth of section 12 thereof (12 U.S.C. 771 Sixth) ; and

(d) by substituting “an amount specified by the Farm Credit Administration” for “\$100,000” in paragraph Seventh of section 12 thereof (12 U.S.C. 771 Seventh).

#### FEDERAL INTERMEDIATE CREDIT BANKS

SEC. 3. Title II of the Federal Farm Loan Act, as amended, is amended—

(a) in section 202 (a) thereof (12 U.S.C. 1031), by deleting “and” at the end of paragraph (2), by substituting “; and” for the period at the end of paragraph (3) and by adding the following new paragraph:

“(4) to purchase for investment obligations of the Federal land banks and the banks for cooperatives and, to the extent authorized by the Farm Credit Administration, obligations of any agencies of the United States.”; and

(b) by changing section 208 (b) thereof (12 U.S.C. 1092) to read as follows: “The Farm Credit Administration may require reports in such form as it may specify from any or all of the Federal intermediate credit banks whenever in its judgment the same are

1 necessary for a full and complete knowledge of its or  
2 their financial condition or operations.”

## 3 BANKS FOR COOPERATIVES

4        SEC. 4. Sections 41 and 34 of the Farm Credit Act of  
5    1933, as amended (12 U.S.C. 1134e and 1134j), are each  
6    amended by striking from clause (a) in the first sentence  
7    thereof the following: "for any of the purposes and subject  
8    to the conditions and limitations set forth in such Act, as  
9    amended".

10        *SEC. 4. (a) Sections 41 and 34 of the Farm Credit*  
11        *Act of 1933, as amended (12 U.S.C. 1134c and 1134j),*  
12        *are each amended—*

13           (i) by striking from clause (a) in the first sentence  
14           thereof the following: “, for any of the purposes and  
15           subject to the conditions and limitations set forth in such  
16           Act, as amended”; and

(ii) by adding the following sentence immediately after the first sentence thereof: "Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan."

25 (b) *The Agricultural Marketing Act, as amended, is*



1 *amended by deleting subsection (a) of section 8 thereof (12*  
2 *U.S.C. 1141f(a)).*

3 FARM CREDIT BOARD ELECTIONS

4 SEC. 5. The Farm Credit Act of 1937, as amended,  
5 is amended by substituting “sixty” for “thirty” in the  
6 last sentence of section 5 (e) thereof (12 U.S.C. 640e)  
7 and in the third last sentence of section 5 (f) thereof (12  
8 U.S.C. 640f) and by inserting the following immediately  
9 before the period at the end of each of such sentences:  
10 “, except that for elections to fill vacancies the Farm  
11 Credit Administration may specify a shorter period than  
12 sixty days but not less than thirty days”. This section  
13 shall be effective after the calendar year in which it is  
14 enacted.

15 FEDERAL FARM CREDIT BOARD

16 SEC. 6. Section 4 (f) of the Farm Credit Act of 1953  
17 (12 U.S.C. 636c (f) ) is amended by substituting “\$100”  
18 for “\$50” therein.

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# A BILL

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To amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes.

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By Mr. ELLENDER and Mr. TALMADGE

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JANUARY 26, 1966

Read twice and referred to the Committee on  
Agriculture and Forestry

APRIL 7, 1966

Reported with an amendment







# ***DIGEST*** of Congressional Proceedings

## OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C. 20250  
OFFICIAL BUSINESS

POSTAGE AND FEES PAID  
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE  
(FOR INFORMATION ONLY;  
NOT TO BE QUOTED OR CITED)

Issued April 15, 1966  
For actions of April 14, 1966  
89th-2nd; No. 63

### CONTENTS

Adjournment.....8	Expenditures.....10	Research.....11
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Child nutrition.....5	Labeling.....4	Taxes.....10
Community development....2	Milk.....5	Water pollution.....12
Conservation.....3	Packaging.....4	Water supply.....9
Cosponsors.....2	Pork prices.....7	

HIGHLIGHTS: Sen. Proxmire opposed proposed Child Nutrition Act. Sen. Carlson inserted article, "We Are No Stronger Than Our Soil." Sen. Javits introduced and discussed animal research bill.

### SENATE

1. FARM CREDIT. Passed as reported S. 2822, to amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder. pp. 7773-6
2. COSPONSORS. Sen. Javits was added as a cosponsor of S. 902, a bill dealing "with the right or authority of the Department of Agriculture to test soils in urban areas," and S. 2934, the proposed Community Development District Act of 1966. p. 7769
3. CONSERVATION. Sen. Carlson commended the "great progress" which has been made in the fields of soil conservation and water retardation and inserted an article, "We Are No Stronger Than Our Soil." p. 7770

4. TRUTH-IN-PACKAGING. Sen. Hart stated that "most of the Nation's leading newspapers have endorsed the truth-in-packaging bill as necessary and good legislation," and inserted a supporting editorial. p. 7778
5. CHILD NUTRITION; MILK. Sen. Proxmire criticized the proposed Child Nutrition Act and the proposed cut in the school milk program. pp. 7797-8
6. FARM LABOR. Sen. Holland criticized pending farm labor legislation and inserted an article, "Farmers Seen Squeezed by L.B.J. Policies," which states that "farmers are paying a higher price for inflation than any other group." pp. 7798
7. PORK AND BEEF PRICES. Sen. Miller stated that "pork and beef prices have moved steadily downward" and "it is clear that livestock producers have not averaged out with prices that are fair in comparison with prices in other sectors of the economy." pp. 7789
8. ADJOURNED until Mon., Apr. 18. p. 7804

#### ITEMS IN APPENDIX

9. WATER SUPPLY. Rep. Hosmer inserted an article on the use of Pacific Northwest excess water. p. A2077
10. EXPENDITURES; TAXES. Rep. Hosmer inserted an article, "The Choice is Obvious-- Spending Cut or Tax Boost?" p. A2079

#### BILLS INTRODUCED

11. ANIMAL RESEARCH. S. 3218, by Sen. Javits, to establish standards for the humane care, handling, and treatment of laboratory animals in departments, agencies, and instrumentalities of the United States and by recipients of grants, awards, and contracts from the United States; and to encourage the study and improvement of the care and treatment and the development of methods for minimizing pain and discomfort of animals used in research, training, or testing; to Labor and Public Welfare Committee. Remarks of author p. 7768.
12. WATER POLLUTION. S. 3226, by Sen. Tydings, to amend the Federal Water Pollution Control Act in order to authorize Federal assistance in carrying out short-term training programs in treatment work operation and maintenance; to Public Works Committee. Remarks of author pp. 7801-2.

89TH CONGRESS  
2D SESSION

# S. 2822

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IN THE HOUSE OF REPRESENTATIVES

APRIL 18, 1966

Referred to the Committee on Agriculture

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## AN ACT

To amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That the laws administered by the Farm Credit Administra-  
4       tion relating to Federal land banks, Federal intermediate  
5       credit banks, banks for cooperatives, farm credit board elec-  
6       tions and compensation of Federal Farm Credit Board, are  
7       amended as hereinafter provided.

8                               FEDERAL LAND BANKS

9       SEC. 2. Title I of the Federal Farm Loan Act, as  
10      amended, is amended—



1           (a) by adding the following subsection at the end of  
2           section 10 thereof (12 U.S.C. 751-757) :

3           “(h) To the extent authorized by the Farm Credit Ad-  
4           ministration, the Federal land bank of the district, and the  
5           board of directors of a Federal land bank association, a writ-  
6           ten report and approval by the manager or another employee  
7           of the association designated for the purpose shall be accept-  
8           able in lieu of the written report and approval otherwise re-  
9           quired of the loan committee under this section; and in such  
10          cases the favorable report and approval by the manager or  
11          other employee shall constitute the applicant a member of the  
12          association.”

13           (b) by inserting immediately before the period  
14          at the end of paragraph First of section 12 thereof  
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16          period at the end of the first sentence and immediately  
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23           (c) by striking “and unless owners of stock in the  
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scribed by the Farm Credit Administration” from the fourth sentence of paragraph Sixth of section 12 thereof (12 U.S.C. 771 Sixth) ; and

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“(4) to purchase for investment obligations of the Federal land banks and the banks for cooperatives and, to the extent authorized by the Farm Credit Administration, obligations of any agencies of the United States.”; and

(b) by changing section 208 (b) thereof (12 U.S.C. 1092) to read as follows: “The Farm Credit Administration may require reports in such form as it may specify from any or all of the Federal intermediate credit banks whenever in its judgment the same are

1 necessary for a full and complete knowledge of its or  
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## 3 BANKS FOR COOPERATIVES

4        SEC. 4. (a) Sections 41 and 34 of the Farm Credit  
5    Act of 1933, as amended (12 U.S.C. 1134c and 1134j),  
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7 (i) by striking from clause (a) in the first sentence  
8 thereof the following: “, for any of the purposes and  
9 subject to the conditions and limitations set forth in such  
10 Act, as amended”; and

(ii) by adding the following sentence immediately after the first sentence thereof: "Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan."

(b) The Agricultural Marketing Act, as amended, is amended by deleting subsection (a) of section 8 thereof (12 U.S.C. 1141f(a)).

## 22 FARM CREDIT BOARD ELECTIONS

23 SEC. 5. The Farm Credit Act of 1937, as amended,  
24 is amended by substituting "sixty" for "thirty" in the last  
25 sentence of section 5 (e) thereof (12 U.S.C. 640e) and in

1 the third last sentence of section 5 (f) thereof (12 U.S.C.  
2 640f) and by inserting the following immediately before  
3 the period at the end of each of such sentences: “, except  
4 that for elections to fill vacancies the Farm Credit Ad-  
5 ministration may specify a shorter period than sixty days  
6 but not less than thirty days”. This section shall be effective  
7 after the calendar year in which it is enacted.

8 FEDERAL FARM CREDIT BOARD

9 SEC. 6. Section 4 (f) of the Farm Credit Act of 1953  
10 (12 U.S.C. 636c (f) ) is amended by substituting “\$100”  
11 for “\$50” therein.

Passed the Senate April 14, 1966.

Attest:

EMERY L. FRAZIER,

*Secretary.*

AN ACT

To amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes.

APRIL 18, 1966

Referred to the Committee on Agriculture



Act. Twenty-two Republican Senators and eighty-three Republican Members of the House are sponsoring such legislation. All 12 members of the joint Senate-House Republican leadership are included in this number.

The purpose of the Human Investment Act is to encourage industry to expand its training programs so that the reservoir of available job skills more closely matches the present and anticipated needs of the economy. Private enterprise today is the Nation's largest job trainer, investing about \$4.5 billion a year in the various forms of employee training. Over the years, labor and business have shown that they know best what skills will be needed in the economy and what kinds of training will best prepare workers to accept the jobs that become available. It is the goal of the Human Investment Act to provide the type of economic climate through tax incentives which will permit business to enter this field on a major scale.

Unskilled workers today have an unemployment rate twice as high as the overall national rate. In most cases, the unskilled lack only the training necessary to permit them to move into existing vacancies.

The problem is a national one and demands a national solution. The Republican Party believes that the Human Investment Act is a proper, indeed, necessary, response.

This legislation will guarantee an expansion of worthwhile and needed training programs, such as apprenticeship and on-the-job training, while holding redtape and administrative regulation to a minimum. The enactment of this Republican-authored legislation would be a major step toward encouraging our American enterprise system to expand its continuing efforts to alleviate the Nation's manpower shortages and enhance the opportunities for the individual worker to share more fully in the benefits of the American economy.

#### HARD CHOICES IN VIETNAM

Mr. JAVITS. Mr. President, I ask unanimous consent that I may proceed for 3 additional minutes.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, the present turbulent political situation in South Vietnam makes it incumbent upon us to discuss once again U.S. policy in Vietnam and the extent of our commitments there. The people of the United States must be prepared for the hard choices and decisions which may be required of us as a result of the existing political uncertainty.

Our own purpose should remain unaltered. Side by side with the ARVN forces of South Vietnam, U.S. troops are waging a struggle for high but limited objectives with the necessary but limited military means. We are seeking a negotiated settlement to preserve freedom of choice for Vietnam. Our goals are threefold: First, pacification of the important and populous areas; second, economic and social development of the Vietnamese people; and, third, the holding of free elections in order to enable the Vietnamese to determine their own governmental future.

Should the Government of Premier Ky remain in office, or should another government with the same plans for Vietnam assume power and responsibility, the United States can continue to play its part in Vietnam. Should, how-

ever, a government come into office which is dissatisfied with our help, or with the presence of our forces in the country, or which is unable to continue the South Vietnamese share of the military burden, then we will have to decide whether to first, persist nonetheless and virtually take over the governmental operations in South Vietnam; second, withdraw our troops from the Asian mainland; or, third, redeploy our forces to another Asian location.

If we are so forced to reappraise our position, I urge that we do so in light of our basic policy to date—that is, we are in Vietnam because the actual government and people of that country wish to wage a struggle for their independence and freedom and they desire our help. In no event should the struggle there be a struggle carried on by us without South Vietnam, for it is at their behest that we are helping to defend them. It must be said at once—and I pay tribute to them—that the ARVN forces are carrying a heavy burden in the conflict. Indeed, their casualties are six times our own, grievous as are our own.

Just as I oppose carrying on the effort in Vietnam by ourselves, I also reject complete withdrawal from the Asian mainland. There are still a number of nations in that area which need and desire our help. The Chinese Communists still vow to persist in their so-called wars of aggression which they call wars of national liberation.

Should conditions force us to leave South Vietnam, I believe that our best choice is to redeploy our troops to another Asian country. It is my view that our forces should not be broken up, but should be kept together as an effective unit and redeployed where they can be available to counter any new aggressive move by Communist China. Northern Thailand is so threatened, and should the Government of Thailand request such assistance, I believe that at least some of our troops ought to be restationed there.

One question must be asked: "What would be the effect if we have to do so, not out of choice, of U.S. withdrawal from South Vietnam on our other international commitments?" I believe that the United States will already have amply justified by what we have done to this point in South Vietnam—that we are prepared to back our commitments elsewhere. No one could have any right to doubt that we are ready, notwithstanding the difficulties in money and manpower, to support the cause of freedom. Every free nation in Asia and elsewhere in the developing world already has been heartened by our determination.

In these efforts, however, we cannot guarantee success; we can only guarantee the effort itself. It would have been, and would be, disastrous voluntarily to pull out of Vietnam, but it is no disgrace if conditions make our continuance there unwelcome or untenable.

Yesterday, I uttered these same thoughts in a series of speeches in the north country of my own State, and as I have noted that other Senators spoke yesterday, I desire to add my voice to theirs in this, the national record.

#### AMENDMENT OF VARIOUS PROVISIONS OF LAWS ADMINISTERED BY FARM CREDIT ADMINISTRATION

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1069, S. 2822.

The ACTING PRESIDENT pro tempore. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (S. 2822) to amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes.

The ACTING PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Agriculture and Forestry, with an amendment, on page 4, after line 3, to strike out:

SEC. 4. Sections 41 and 34 of the Farm Credit Act of 1933, as amended (12 U.S.C. 1134c and 1134j), are each amended by striking from clause (a) in the first sentence thereof the following: "for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended".

And, in lieu thereof, to insert:

SEC. 4. (a) Sections 41 and 34 of the Farm Credit Act of 1933, as amended (12 U.S.C. 1134c and 1134j), are each amended—

(1) by striking from clause (a) in the first sentence thereof the following: "for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended"; and

(1) by adding the following sentence immediately after the first sentence thereof: "Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan."

(b) The Agricultural Marketing Act, as amended, is amended by deleting subsection (a) of section 8 thereof (12 U.S.C. 1141f(a)).

So as to make the bill read:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the laws administered by the Farm Credit Administration relating to Federal land banks, Federal intermediate credit banks, banks for cooperatives, farm credit board elections and compensation of Federal Farm Credit Board, are amended as hereinafter provided.

#### FEDERAL LAND BANKS

SEC. 2. Title I of the Federal Farm Loan Act, as amended, is amended—

(a) by adding the following subsection at the end of section 10 thereof (12 U.S.C. 751-757):

"(h) To the extent authorized by the Farm Credit Administration, the Federal land bank of the district, and the board of directors of a Federal land bank association, a written report and approval by the manager or another employee of the association designated for the purpose shall be acceptable in lieu of the written report and approval otherwise required of the loan committee under this section; and in such cases the favorable report and approval by the manager or other employee shall constitute the applicant a member of the association."



(b) by inserting immediately before the period at the end of paragraph First of section 12 thereof (12 U.S.C. 771 First) and immediately before the period at the end of the first sentence and immediately before the second comma in the second sentence of paragraph Second of section 13 thereof (12 U.S.C. 781 Second) the following: "and which mortgages may include farmland within other farm credit districts to the extent authorized by the Farm Credit Administration";

(c) by striking "and unless owners of stock in the corporation assume personal liability for the loan to the extent required under rules and regulations prescribed by the Farm Credit Administration" from the fourth sentence of paragraph Sixth of section 12 thereof (12 U.S.C. 771 Sixth); and

(d) by substituting "an amount specified by the Farm Credit Administration" for "\$100,000" in paragraph Seventh of section 12 thereof (12 U.S.C. 771 Seventh).

#### FEDERAL INTERMEDIATE CREDIT BANKS

SEC. 3. Title II of the Federal Farm Loan Act, as amended, is amended—

(a) in section 202(a) thereof (12 U.S.C. 1031), by deleting "and" at the end of paragraph (2), by substituting "; and" for the period at the end of paragraph (3) and by adding the following new paragraph:

"(4) to purchase for investment obligations of the Federal land banks and the banks for cooperatives and, to the extent authorized by the Farm Credit Administration, obligations of any agencies of the United States."; and

(b) by changing section 208(b) thereof (12 U.S.C. 1092) to read as follows: "The Farm Credit Administration may require reports in such form as it may specify from any or all of the Federal intermediate credit banks whenever in its judgment the same are necessary for a full and complete knowledge of its or their financial condition or operations."

#### BANKS FOR COOPERATIVES

SEC. 4. (a) Sections 41 and 34 of the Farm Credit Act of 1933, as amended (12 U.S.C. 1134c and 1134j), are each amended—

(i) by striking from clause (a) in the first sentence thereof the following: "for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended"; and

(ii) by adding the following sentence immediately after the first sentence thereof: "Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan."

(b) The Agricultural Marketing Act, as amended, is amended by deleting subsection (a) of section 8 thereof (12 U.S.C. 1141f(a)).

#### FARM CREDIT BOARD ELECTIONS

SEC. 5. The Farm Credit Act of 1937, as amended, is amended by substituting "sixty" for "thirty" in the last sentence of section 5(e) thereof (12 U.S.C. 640e) and in the third last sentence of section 5(f) thereof (12 U.S.C. 640f) and by inserting the following immediately before the period at the end of each of such sentences: "except that for elections to fill vacancies the Farm Credit Administration may specify a shorter period than sixty days but not less than thirty days". This section shall be effective after the calendar year in which it is enacted.

#### FEDERAL FARM CREDIT BOARD

SEC. 6. Section 4(f) of the Farm Credit Act of 1933 (12 U.S.C. 636c(f)) is amended by substituting "\$100" for "\$50" therein.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, was read the third time, and passed.

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent to have printed in the RECORD at this point an extract from the report accompanying the bill.

There being no objection, the extract of the report (No. 1102) was ordered to be printed in the RECORD, as follows:

#### EXPLANATION OF BILL (WITH COMMITTEE AMENDMENT)

##### FEDERAL LAND BANKS

Background: The 12 Federal land banks, 1 in each farm credit district, were established in 1917 to make long-term land mortgage loans to farmers and ranchers as provided in the Federal Farm Loan Act. Each borrower from a Federal land bank is required to become a member of the Federal land bank association through which his loan is made. The borrower buys capital stock of the association in an amount equal to 5 percent of the face amount of the loan and the association is required to purchase an equal amount of stock in the Federal land bank of the district. By this means all the capital stock of the 719 Federal land bank associations is owned by their farmer members and the associations in turn have owned all of the stock of the Federal land banks since 1947 when the last of the Government capital in the banks was retired. The loan funds of the Federal land banks are obtained primarily through the sale of consolidated bonds to the investing public.

A Federal land bank loan must be secured by a first mortgage on the farm or ranch of the borrower. The amount loaned in any case may not exceed 65 percent of the appraised normal value of the farm or ranch offered as security; plus the amount of the stock required to be purchased (5 percent of the face amount of the loan). Since the banks obtain their loan funds chiefly through the sale of consolidated bonds to the investing public, interest on loans made to farmers varies with the cost of money and differences in administrative cost. At the present time, 11 of the banks are making loans at 5½ percent and one charges an interest rate of 5.2 percent. There is a statutory limit of 6 percent. A land bank loan may not be made for more than 40 years but most of them have maturities of 20 to 35 years. Presently there are some 384,000 land bank loans outstanding in the approximate amount of \$4.3 billion.

Section 2(a): To obtain a Federal land bank loan, an application is submitted to the bank through the local Federal land bank association. Before a loan is closed, the Federal Farm Loan Act, as it now reads (12 U.S.C. 751-7, 712), requires the following procedure:

1. A written report on the security is made by an appraiser designated or appointed by the Federal land bank of the district. This appraiser may be the manager or another employee of the association.

2. A written report is made by the associate loan committee which consists of three or more members of the association who are borrowers from the land bank. The manager of the association is also eligible for membership on the loan committee. The committee is elected by the board of directors of the association and, in addition to approving loans on behalf of the association, it may also be authorized to elect applicants to membership in the association.

3. Final approval of a loan is by the Federal land bank, but no loan may be made unless the report of the appraiser and the

report of the association loan committee are favorable.

Under step (2), the association loan committee report form often must be taken out to the members for approval and signature. This may involve two or three separate trips to the homes of the members in different parts of the association territory. The present amendment would permit this step in the present procedure to be modified. It would do this by rendering report and approval by the manager or another employee of the association acceptable, if duly authorized, in lieu of action by its loan committee. This is claimed to be warranted in many instances because of the training and experience of such personnel. Without minimizing the importance of approval action by members of the association, it is recognized that there are circumstances in which an association would want to and would be justified in giving this responsibility to a competent manager or other employee. To what extent an association chooses to do so would be determined by its own board of directors. It would also be subject to authorization by the board of directors of the Federal land bank of the district and by the Farm Credit Administration. One of the limitations intended by the Farm Credit Administration is that the manager or other employee authorized to act in lieu of the association loan committee shall not act on a loan in which he is interested directly or indirectly. The Farm Credit Administration has indicated, too, that actions by the manager or other employee under the new authority would be reviewed by the association loan committee or board of directors at their next meeting. The committee has been assured that this review will also cover applications on which the recommendation by the manager or other employee was not favorable.

Section 2(b): This amendment concerns an applicant for a Federal land bank loan who owns and is farming as a single operation land in more than one farm credit district. Under existing law, Federal land bank loans "shall be secured by duly recorded first mortgages on farmland within the farm credit district in which the land is situated" (12 U.S.C. 771 First). To the existing law, section 2(b) would add "and which mortgages may include farmland within other farm credit districts to the extent authorized by the Farm Credit Administration."

An identical addition would be made with reference to first mortgages which a Federal land bank is authorized to acquire otherwise than by making new loans; i.e., by investment or purchase (12 U.S.C. 781 Second). The stated intention is to permit an applicant with a farming operation in more than one district to be served by one land bank instead of borrowing from two or more such banks. There is no intention to permit a Federal land bank to lend on farmland outside of its own district except in connection with farmland in its own district, all being owned and operated by a single eligible applicant. The committee understands, in addition, that Farm Credit Administration regulations will require the concurrence of the Federal land bank for the district in which the land is situated before another Federal land bank may make a loan on it.

Section 2(c): The major statutory eligibility requirements for Federal land bank loans are (12 U.S.C. 771 Sixth):

"No such loan shall be made to any person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations. \* \* \* the term "person" includes an individual or a corporation engaged in farming operations; \* \* \* but no such loan shall be made to a corporation unless the principal



part of its income is derived from farming operations and unless owners of stock in the corporation assume personal liability for the loan to the extent required under rules and regulations prescribed by the Farm Credit Administration. \* \* \*

Section 2(c) would strike out the italicized words. This would eliminate the assumption of personal liability by a stockholder as an eligibility requirement for a Federal land bank loan to a corporation. The stated intention is that such assumption of personal liability may instead be required for credit and policy reasons. Such supervisory guidelines as are deemed necessary in this respect would be covered in rules and regulations issued by the Farm Credit Administration.

Most Federal land bank loans are made to individual farmers or ranchers, although loans to corporations have been authorized since 1935. For the last calendar year, the total of the loans to corporations has been 0.65 percent in number and 4.52 percent in amount of all the loans made by the 12 Federal land banks.

By the present amendment, there is no intention to increase or prefer corporate farming over family or individual farming. It is recognized, though, that there are families and individuals who have organized a corporation for their farming. In most cases it is expected that at least some of them, as stockholders, will continue to be required to provide personal liability for a loan to their corporation for credit or policy reasons. This would have to be done in any cases where the local Federal land bank association, which indorses and thereby incurs liability for the loan, conditions its favorable recommendation on such personal liability being required. However, in instances where such assumption of personal liability is not obtainable, and the loan otherwise meets all requirements, it is thought that the Federal land banks should no longer in every instance be precluded from making a loan for want of such personal liability. While this amendment will enlarge the possible loan service for only a limited number of applicants, any increased lending under it will also benefit the banks and all of their borrowers.

Section 2(d): Under existing law, "The amount of loans to any one borrower may not exceed \$100,000 unless approved by the Farm Credit Administration \* \* \*" (12 U.S.C. 771 Seventh). In this requirement section 2(d) would substitute "an amount specified by the Farm Credit Administration" for the "\$100,000" limitation. This will leave it for the Farm Credit Administration to specify the size of the loans which a Federal land bank may close without the prior approval of the Farm Credit Administration. The committee sees no objection to giving the Farm Credit Administration such discretion in view of the successful lending experience of the land banks. In the last calendar year, 1,118 out of a total of 58,403 Federal land bank loans were in excess of \$100,000. The average size of an outstanding Federal land bank loan is \$11,100.

The present amendment refers only to the size of a loan which may be closed by a Federal land bank without the prior approval of the Farm Credit Administration. It has no reference to the maximum loan which may be made. That is now fixed by the Farm Credit Administration as not more than the higher of (1) 10 percent of the net worth of the bank making the loan, or (2) one-twelfth of 10 percent of the combined net worth of all Federal land banks. As recognized under the preceding amendment, sound loan volume benefits both the banks and their borrowers. The committee presently sees no occasion to object to it, so

long as the lending is to applicants who are within the letter and spirit of the eligibility requirements quoted under the preceding amendment.

#### FEDERAL INTERMEDIATE CREDIT BANKS

Background: The 12 Federal intermediate credit banks, 1 in each farm credit district, are organized and operate under title II which was added to the Federal Farm Loan Act by the Agricultural Credits Act of 1923. Their function is to finance the 471 production credit associations and over 100 other financing institutions that make short- and intermediate-term loans to farmers and ranchers. The total of such financing by the credit banks during 1965 was \$5.3 billion. Over 90 percent of such business was with the production credit associations.

The credit banks do this financing by discounting for the production credit associations and the other financing institutions, with their endorsement, the notes taken by them from the farmers and ranchers, and also by making loans to the associations and other financing institutions secured by such collateral as may be approved by the Governor of the Farm Credit Administration. Loans may also be made to the associations without collateral to the extent authorized by the Farm Credit Administration. The loan funds of the credit banks are obtained chiefly through the sale of their consolidated debentures to the investing public so that the interest and discount rates which the banks charge depend upon the rates of interest which the banks have to pay on their debentures and differences in administrative cost. The presently approved rates for the different banks range from 5¼ to 5¾ percent.

About 35 percent of the total capital stock of the Federal intermediate credit banks is owned by the production credit associations, and the other 65 percent continues to be owned by the Government. Under amendments enacted in 1956 and 1965, it is intended that the associations eventually will come to own all of the capital stock in such banks as their Government capital is gradually retired.

Section 3(a): To the existing powers of the Federal intermediate credit banks would be added authority "to purchase for investment obligations of the Federal land banks and the banks for cooperatives and, to the extent authorized by the Farm Credit Administration, obligations of any agencies of the United States." The latter obligations would include consolidated notes of the Federal home loan banks and securities issued by the Federal National Mortgage Association. Similar investments are now permitted for the Federal land banks and the banks for cooperatives.

Under existing law, the credit banks have been limited to investments in U.S. Government bonds for their funds which are not immediately needed for financing the production credit associations and other financing institutions for lending to farmers and ranchers. Such additional investment authority would add flexibility through a wider choice of investment media of various maturities. In most instances, too, it would provide the credit banks with a higher interest yield on such investments. While such additional investments would be mostly for a short term, they nonetheless would be available, if needed, as collateral for debentures issued by the Federal intermediate credit banks and as collateral for other borrowings. If used as collateral for debentures, the additional investments would be a relatively minor part of the debenture collateral which in the main consists of loans discounted for or made to the production credit associations and other financing institutions.

Section 3(b): Existing law (12 U.S.C. 1092)

specifically requires each Federal intermediate credit bank to make three reports a year to the Farm Credit Administration as to the resources and liabilities of the banks, verified by an officer, and signed by at least three directors. Such reports must be published in a newspaper where the bank is located and are subject to proof of publication. Special reports may also be required by the Farm Credit Administration. In lieu of the existing requirements, section 3(b) would provide that "the Farm Credit Administration may require reports in such form as it may specify from any or all of the Federal intermediate credit banks whenever in its judgment the same are necessary for a full and complete knowledge of its or their financial condition or operations."

The Farm Credit Administration presently keeps informed of the condition of the banks by requiring monthly reports and through examination of the banks. The amendment would make no change in this respect. What it would do is relieve the banks of locally publishing their separate sworn and attested statements at least three times a year. Inasmuch as the individual banks have not separately issued debentures since 1935, what may once have been deemed a reason for the present local publication requirement no longer exists. In any event, the separate statements of each bank are widely distributed in its district to all who have an interest in the bank and to anyone on request. Since the banks may not accept deposits, there is no depositor group to be considered. Of more interest to the investing public are the consolidated financial and earnings statements of the 12 banks, since the banks are jointly and severally liable for their consolidated debentures. These are available in a brochure that is distributed to debenture dealers, commercial banks, and other interested parties. They also are widely circulated by investment services and periodicals. Among other places, both the individual and the consolidated statements are included in the annual report of the Farm Credit Administration to Congress and in the audit reports of the Comptroller General.

#### BANKS FOR COOPERATIVES

Background: The 13 banks for cooperatives, 1 in each farm credit district and the Central Bank for Cooperatives in the District of Columbia, were organized under the Farm Credit Act of 1933. They make loans to farmers' marketing, purchasing, and service cooperatives. Three distinct types of loans are made: facility, commodity, and operating capital loans. Since the loan funds of the banks, other than those available from their capital and surplus, are obtained from the sale of consolidated debentures to the investing public, interest rates charged by the banks for cooperatives depend, to a large extent, upon the rates they have to pay on their debentures. Interest rates vary with the type and term of loan and between banks. At the present time, interest rates charged by the banks for cooperatives range from a low of 4¾ percent to a high of 5¾ percent. The legal maximum is 6 percent.

The banks for cooperatives were capitalized by the United States out of the revolving fund from which the Federal Farm Board, previously made loans to cooperatives under the Agricultural Marketing Act of 1929. Since the Farm Credit Act of 1955, the Government capital in the banks for cooperatives is being systematically retired by the creation of permanent capital provided by the users of the banks. The maximum Government capital ever in the banks has been reduced by about 71 percent. Two of the banks for cooperatives (Berkeley and Houston) retired all of their Government



capital in 1965, and the other banks are expected to do so by 1970.

Section 4: As now in effect (12 U.S.C. 1134c, 1134j), the Farm Credit Act of 1933 provides that "subject to such terms and conditions as may be prescribed by the Farm Credit Administration," the 12 district banks for cooperatives and the Central Bank for Cooperatives are authorized "(a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended."

Section 4 of the bill, as introduced, would delete the words "for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended."

With the committee amendment, section 4 would also transfer to the Farm Credit Act of 1933 the sentence, now contained in the Agricultural Marketing Act (12 U.S.C. 1141f (a)), which specifies that the interest rate on loans by any bank for cooperatives may not exceed 6 percent.

The amended authority of the banks for cooperatives in the 1933 act then would be "subject to such terms and conditions as may be prescribed by the Farm Credit Administration \* \* \* (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended."

The only provision of the Agricultural Marketing Act hereafter applicable would be section 15(a), which defines the farmer cooperative associations that are eligible to borrow (12 U.S.C. 1141j(a)). All other loan provisions of the Agricultural Marketing Act would no longer be applicable.

The more significant provisions that would be rendered inapplicable are those contained in section 7 of the Agricultural Marketing Act, as amended (12 U.S.C. 1141e). Most of such provisions originated in 1929 when loans were made from the revolving fund established under the act which then also provided for other programs which have since been discontinued. As currently in effect, the provisions that would be rendered inapplicable may be summarized as follows:

1. Under section 7, physical facility loans may not exceed 60 percent of the appraised value of the security therefor (7(c)(1)) and must be repaid upon an amortization plan over a period not in excess of 20 years (7(d)). Further, no loan for the purchase or lease of facilities may be made unless the Governor of the Farm Credit Administration finds that the purchase price or rent to be paid is reasonable (7(c)(2)).

2. The separate references to loans to construct or acquire or refinance physical facilities (7(a)(2)), loans to assist in the effective merchandising of agricultural commodities and food products thereof, and loans to a cooperative association for financing its operations (7(a)(1)), in effect constitute a classification of loans. These have come to be referred to as facility, commodity, and operating capital loans. Starting in 1933 the statutory interest rate provision for commodity and operating capital loans was different than for facility loans. However, in 1955 that distinction was removed, and since then all loans have been subject to the same general interest provision which will continue applicable as noted earlier. If the present separate statutory provisions for facility loans are now to become inapplicable, it is considered to follow that there no longer would be occasion for the present separate classes of loans.

3. At present section 7(b) also provides that the loan shall be in furtherance of the policy declared in section 1 of the Agricultural Marketing Act of 1929 (12 U.S.C. 1141), many of the purposes of which have since expired and no longer are relevant. It also requires that the cooperative association applying for the loan has an or-

ganization and management, and business policies, of such character as to insure the reasonable safety of the loan and the furtherance of such policy.

Inasmuch as the banks for cooperatives have now had over 33 years of lending experience during which time almost 48,000 loans for a total of about \$15 billion have been made, it is thought that the statutory provisions that have just been reviewed no longer serve a useful purpose. Without them, but still subject to such terms and conditions as may be prescribed by the Farm Credit Administration, it is thought that the banks for cooperatives will have more flexibility and be in a better position to meet the needs of the farmer cooperatives that are eligible for loans.

At the hearings, the Farm Credit Administration outlined the terms of the regulations it was considering for this lending. Assurance was given that the loans to farmer cooperatives will both meet their needs and conform to adequate credit standards.

#### FARM CREDIT BOARD ELECTIONS

Section 5: The Farm Credit Administration conducts polls of the three voting groups in each farm credit district (i.e., Federal land bank associations, production credit associations, and cooperative associations eligible to vote as stockholders of the bank for cooperatives) to elect members to the district farm credit boards and to designate persons for consideration by the President for appointment to the Federal Farm Credit Board. Under existing law (12 U.S.C. 640e, 640f), a ballot may not be counted unless it is received by the Farm Credit Administration within 30 days after it was mailed out. Section 5 would increase the 30-day period to 60, except that for elections to fill vacancies the Farm Credit Administration may specify a shorter period than 60 days but not less than 30 days. This would be effective starting with the next calendar year. The longer period will give the Federal land bank associations and production credit associations more flexibility in scheduling the meetings of their boards of directors at which their vote in those polls is decided upon.

#### FEDERAL FARM CREDIT BOARD

Section 6: The Federal Credit Board consists of 13 members, 1 appointed by the President with the advice and consent of the Senate from each of the 12 farm credit districts, and a 13th member who is a representative of the Secretary of Agriculture. This is a part-time Board which has responsibility for the general direction and supervision of the Farm Credit Administration that otherwise consists of the Governor and other employed personnel. The present amendment would increase from "\$50" to "\$100" the sum that each member of the Federal Farm Credit Board shall receive for each day spent in the performance of his official duties. As provided in the Farm Credit Act of 1953, such compensation may not be paid for more than 75 days in a calendar year (12 U.S.C. 636c(f)). The increased compensation would be more in line with that paid other personnel since the Government Employees Salary Reform Act of 1964 and the Federal Employees Salary Act of 1965. As is the case with all administrative expenses of the Farm Credit Administration, the compensation of the members of the Federal Farm Credit Board is paid from assessments against the banks and associations supervised by the Farm Credit Administration.

new members of the Preparedness Investigating Subcommittee, nevertheless, it was highly gratifying to have read an editorial of the New York Times on Monday of this week in which recognition was given for the outstanding service so admirably rendered to the country by its distinguished chairman, Senator STENNIS, and the subcommittee staff, in probing and uncovering serious deficiencies of personnel and equipment in the Army.

Under Senator STENNIS' judicious and able leadership, the Preparedness Subcommittee sounded warnings well over a year ago that the war in Vietnam could result in an unacceptable drain upon the personnel and equipment resources of our active military forces unless corrective and remedial measures were taken immediately. Because those warnings were not heeded at the time they were made, we must now witness the removal of troops from Europe, the deterioration in the combat readiness of our other forces, and even complaints from our valiant men in Vietnam of shortages of repair parts, clothing, boots, and certain types of ammunition.

I consider it a distinct privilege to be associated with the chairman, the distinguished members and able staff of the Preparedness Investigating Subcommittee. The year-long investigation which prompted the New York Times' editorial required the staff to embark on long journeys within three continents and those with whom they dealt confirmed their professional competency by reporting that they were found to be "thoroughly objective, completely professional, and unusually knowledgeable." No finer tribute could be paid to those who have worked so hard. I have personally been deeply impressed by their dedication and competence and want to take this opportunity to commend them publicly.

Mr. President, I ask unanimous consent to have the New York Times editorial printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New York (N.Y.) Times,  
Apr. 11, 1966]

#### OVERSTRAINED ARMY

Senator STENNIS and his Preparedness Subcommittee have done the Nation and the Armed Forces a service in pinpointing the Army's serious deficiencies of personnel and materiel. The temporary withdrawal of 15,000 Army specialists from West Germany to meet military needs in Vietnam confirms the strain.

For at least a year the Senator and his associates have been warning that the Vietnamese war has resulted in a major and, in some items, dangerous "drawdown" of available military supplies; that war has also reduced the experience level of virtually all Army units except those actually in Vietnam. The steps taken by the Pentagon to meet the drain have been inadequate to maintain a strong and ready strategic reserve, with the result that the Army is spread thin. Very few trained units are ready to reinforce Vietnam or to meet other emergencies.

Nearly all the Regular Army units in the United States are, in effect, training units; certain types of key specialists in Europe have been tapped for service in Vietnam; two

#### WORK OF PREPAREDNESS INVESTIGATING SUBCOMMITTEE

Mr. BYRD of West Virginia. Mr. President, although I am a relatively







# **DIGEST** of Congressional Proceedings

## OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE  
WASHINGTON, D. C. 20250  
OFFICIAL BUSINESS

POSTAGE AND FEES PAID  
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE  
FOR INFORMATION ONLY;  
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Issued June 22, 1966  
For actions of June 21, 1966  
89th-2nd; No. 101

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HIGHLIGHTS: Sen. Proxmire spoke against proposed school milk program cutback.  
Rep. Mathias commended and inserted Secretary Freeman's article on activities and aims of this Department.

### SENATE

1. PERSONNEL. The Post Office and Civil Service Committee reported without amendment S. 2206, to extend certain benefits of the Annual and Sick Leave Act, the Veterans' Preference Act, and the Classification Act to employees of county committees established pursuant to the Soil Conservation and Domestic Allotment Act (S. Rept. 1293), and with amendments H. R. 1535, to amend the Classification Act of 1949 to authorize the establishment of hazardous duty pay in certain cases (S. Rept. 1294). p. 13102

Sen. Hartke urged consideration of the Federal pay bill before next week's scheduled recess. p. 13146

2. ADMINISTRATIVE LAW. Passed as reported S. 1336, to amend the Administrative Procedure Act so as to revise and update existing administrative procedures with new ones designed to increase the efficiency and fairness of the administrative process. pp. 13091-101
  3. LIBRARIES. The Labor and Public Welfare Committee reported with amendments H. R. 14050, to extend and amend the Library Services and Construction Act (S. Rept. 1291). p. 13102
  4. VEHICLES. The Commerce Committee voted to report (but did not actually report) with amendments S. 3005, to establish motor vehicle safety standards. p. D552
  5. FISH PROTEIN. The Commerce Committee voted to report (but did not actually report) S. 2720, authorizing programs to develop practicable means for the production of fish protein concentrate. p. D552
  6. APPROPRIATIONS. Received from this Department a report on the overbligation of allotments in the Federal Crop Insurance Corp. p. 13101
  7. POVERTY. Senators Javits and Kennedy, Mass., submitted amendments they intend to propose to S. 3164, to provide for continued progress in the Nation's war on poverty. pp. 13107-9
  8. MILK. Sen. Proxmire spoke against the proposed school milk program cutback pointing out the importance of milk for the health of children. p. 13140
  9. WEATHER. Sen. Carlson commended the Weather Bureau for early and accurate warnings of the Topeka, Kans., tornado and inserted articles on the subject. pp. 13118-9
- HOUSE
10. PERSONNEL. Concurred in Senate amendments to H. R. 10721, to amend the Federal Employees' Compensation Act to improve its benefits. This bill will now be sent to the President. pp. 13074-5
  11. BANKING. The Banking and Currency Committee reported without amendment S. 3368, to extend until June 30, 1968, the present authority of the Federal Reserve banks to purchase securities directly from the Treasury in amounts not to exceed \$5 billion outstanding at any one time (H. Rept. 1640). p. 13089
  12. FARM CREDIT. The Agriculture Committee voted to report (but did not actually report) S. 2822, to amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder. p. D554
  13. PATENTS. Rep. Younger commended and inserted a speech, "A World Patent System." pp. 13081-3







# **DIGEST** of Congressional Proceedings

## OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

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Issued July 14, 1966  
For actions of July 13, 1966  
89th-2nd; No. 111

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HIGHLIGHTS: Senate debated agricultural appropriation bill and received supplemental budget request for cotton promotion program. House debated foreign aid authorization bill.

### SENATE

1. APPROPRIATIONS. Began debate on H. R. 14596, the agricultural appropriation bill. Agreed to the committee amendments en bloc (but only for the purpose of considering the bill with the amendments as the original text) and an amendment by Sen. Holland to provide \$300,000 supplemental funds "to initiate work under the Cotton Research and Promotion Act of 1966" (pp. 14896-901). Sen. Holland's amendment was submitted pursuant to a supplemental estimate (S. Doc. 98) (p. 14824).



Sen. Proxmire expressed his appreciation to the committee for its support of the special milk program for schoolchildren but questioned the "adequacy of \$105 million to do the job." pp. 14827-8

2. WATER POLLUTION. Passed with amendments S. 2947, to authorize "a research and demonstration program into advanced waste treatment and water purification and joint municipal-industrial treatment facilities." pp. 14849-67, 14869-84, 14887-96
3. HISTORIC STRUCTURES. Sen. Tower commended S. 3097, to encourage and assist in the preservation and maintenance of historic structures, and at his request was added as a cosponsor. pp. 14826-7
4. FOREIGN AID. Sen. Mondale inserted numerous letters supporting his amendment to the foreign aid bill, "to strengthen our support of adaptive agricultural research in hungry nations." pp. 14831-2

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HOUSE

5. FARM CREDIT. The Agriculture Committee reported with amendments S. 2822, to amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder (H. Rept. 1695) p. 14822
6. FOREIGN AID. Continued debate on H. R. 15750, the foreign aid authorization bill. pp. 14714-87
7. PACIFIC ISLANDS. Rep. Taylor inserted a statement to the U. N. Trusteeship Council by the High Commissioner of the Trust Territory of the Pacific Islands including a discussion of agricultural projects in the islands. pp. 14813-8
8. OPINION POLL. Rep. McDade inserted the results of a questionnaire, including items of interest to this Department. p. 14795
9. RECLAMATION. Rep. Saylor inserted an engineers' report criticizing the proposed Marble Canyon and Bridge Canyon dams as "a poor use of federal money and an unnecessary desecration of the Grand Canyon." pp. 14797-8
10. TRUTH-IN-PACKAGING. Rep. Ashbrook commended and inserted an article opposing some provisions of the truth-in-packaging bill. p. 14798
11. INTERSTATE TAXATION. Rep. Pool spoke in favor of H. R. 11798, to provide a system for taxation of interstate commerce. p. 14810
12. LOANS. Rep. O'Neill, Mass., criticized an Economic Development Administration loan for a Maine sugarbeet factory as "a colossal waste of the taxpayer's money" (p. 14714). Rep. Hathaway defended this loan and the viability of the Maine sugarbeet industry (p. 14819).
13. HOUSING. The Banking and Currency Committee was granted permission to file a report and accompanying documents by midnight Fri., July 15, on H. R. 15890, the city demonstration program bill. p. 14787
14. HAWAII. Rep. Mink commended and inserted a speech outlining economic and commercial achievements and prospects for Hawaii. pp. 14811-2

## SIMPLIFICATION OF LAWS ADMINISTERED BY THE FARM CREDIT ADMINISTRATION

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JULY 13, 1966.—Committed to the Committee of the Whole House on the State  
of the Union and ordered to be printed

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Mr. COOLEY, from the Committee on Agriculture, submitted the  
following

### R E P O R T

[To accompany S. 2822]

The Committee on Agriculture, to whom was referred the bill (S. 2822) to amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes, having considered the same, report favorably thereon with amendments and recommended that the bill do pass.

The amendments are as follows:

Page 1, line 10, strike out "amended—" and insert "amended".

Page 2, beginning on line 1 and ending on line 12, strike out all of subsection (a).

Page 2, line 13, strike out "(b)".

Page 2, line 22, strike out "Administration;" and insert "Administration."

Page 2, beginning on line 23 and ending on page 3, line 3, strike out all of subsection (c).

Page 3, beginning on line 4 and ending on line 7, strike out all of subsection (b).

### PURPOSE

The purpose of the bill is to modernize in several respects the statutes which are administered by the Farm Credit Administration with the intention of simplifying and improving operations thereunder.

As passed by the Senate, there were four amendments which concern the Federal land banks, two which concerned the Federal intermediate credit banks, one which concerns the banks for cooperatives, one which concerns farm credit board elections, and one which concerns compensation for the Federal Farm Credit Board.

## COST

The purpose of the bill is to improve the efficiency of the operation of the Farm Credit Administration. There would be no additional cost to the United States as the result of enactment of this bill other than the very small amount involved in the increase in the per diem compensation of members of the Farm Credit Board.

## COMMITTEE AMENDMENTS

The committee has amended the bill by striking out three of the proposed amendments relating to the Federal land banks. These are embraced in subsections (a), (c), and (d) of section 2 and are described in detail in the report of the Senate committee accompanying S. 2822, which is quoted below.

Briefly, subsection 2(a) would permit loan applications to be approved by the manager or other employee of a Federal land bank association, instead of by a loan committee as the present law requires.

Subsection 2(c) would repeal the statutory requirement that stockholders in a farming corporation assume personal liability, to the extent required by Farm Credit Administration regulations, on loans to such corporate borrowers.

Subsection 2(d) would eliminate the present statutory requirement that any loan in excess of \$100,000 must be approved by the Washington office of the Farm Credit Administration and would, instead, permit the FCA to fix the amount of loan which would require FCA approval.

## SENATE REPORT

Following is the text of the relevant portions of the Senate report on S. 2822.

[S. Rept. 1102, 89th Cong., 2d sess.]

## GENERAL STATEMENT

As reported by the committee, the bill consists of nine amendments to various provisions of the Federal Farm Loan Act, the Agricultural Marketing Act, and the Farm Credit Acts of 1933, 1937, and 1953. All of these laws are administered by the Farm Credit Administration and the amendments are designed to improve operations thereunder. There are four amendments which concern the Federal land banks, two which concern the Federal intermediate credit banks, one which concerns the banks for cooperatives, one which concerns farm credit board elections, and one which concerns compensation for the Federal Farm Credit Board. Representatives of the general farm organizations that testified or submitted statements were generally in favor of the amendments. Before explaining the provisions of the bill in detail, background information will be given as to the Cooperative Farm Credit System as a whole. Further background information on the different banks systems will be included with the more detailed explanation of the amendments that concern them.



## BACKGROUND—COOPERATIVE FARM CREDIT SYSTEM

The United States is divided into 12 farm credit districts consisting of from 1 to 8 States (and Puerto Rico). There are in each district a Federal land bank, from 28 to 90 Federal land bank associations, a Federal intermediate credit bank, from 26 to 71 production credit associations, and a bank for cooperatives. In each district, the Federal land bank makes long-term land mortgage loans to farmers through the land bank associations; the production credit associations make short- and intermediate-term loans to farmers and ranchers with funds obtained by rediscounting the loans with the Federal intermediate credit bank which also discounts agricultural loans made by other financing institutions; and the bank for cooperatives makes loans to cooperative associations which are engaged in marketing farm products, purchasing farm supplies, or rendering farm business services.

Each district has a farm credit board which also serves as the board of directors of each of the three banks. Each district board consists of seven members, two elected by the Federal land bank associations, two elected by the production credit associations, two elected by the stockholders of the bank for cooperatives, and one appointed by the Governor of the Farm Credit Administration with the concurrence of the Federal Farm Credit Board. Each land bank association and production credit association has its own board of directors which is elected by the members who obtained loans through or from the association. There is a Central Bank for Cooperatives located in the District of Columbia, which has a separate board of directors.

The activities of these 37 banks and about 1,190 local associations are subject to supervision, examination, and coordination by the Farm Credit Administration which is an independent agency in the executive branch of the U.S. Government. The agency consists of the Federal Farm Credit Board, the Governor, and other officers and employees.

The Federal Farm Credit Board is a part-time policymaking Board which consists of 13 members, 12 of whom are appointed by the President with the advice and consent of the Senate. In making the appointments, one from each of the farm credit districts, the President is required to receive and consider nominations by the three user groups in each district (i.e., the Federal land bank associations, the production credit associations, and the stockholders of the bank for cooperatives). The 13th member of the Board is designated by the Secretary of Agriculture as his representative on the Board.

Under the general supervision and direction of the Federal Farm Credit Board, the Governor is responsible for the execution of the laws creating the powers, functions, and duties of the Farm Credit Administration. Expenses of the Farm Credit Administration are not paid from Treasury funds but are paid through assessments against the banks and associations of the system.

## EXPLANATION OF BILL (WITH COMMITTEE AMENDMENT)

## FEDERAL LAND BANKS

*Background.*—The 12 Federal land banks, one in each farm credit district, were established in 1917 to make long-term land mortgage loans to farmers and ranchers as provided in the Federal Farm Loan Act. Each borrower from a Federal land bank is required to become a member of the Federal land bank association through which his loan is made. The borrower buys capital stock of the association in an amount equal to 5 percent of the face amount of the loan and the association is required to purchase an equal amount of stock in the Federal land bank of the district. By this means all the capital stock of the 719 Federal land bank associations is owned by their farmer members and the associations in turn have owned all of the stock of the Federal land banks since 1947 when the last of the Government capital in the banks was retired. The loan funds of the Federal land banks are obtained primarily through the sale of consolidated bonds to the investing public.

A Federal land bank loan must be secured by a first mortgage on the farm or ranch of the borrower. The amount loaned in any case may not exceed 65 percent of the appraised normal value of the farm or ranch offered as security, plus the amount of the stock required to be purchased (5 percent of the face amount of the loan). Since the banks obtain their loan funds chiefly through the sale of consolidated bonds to the investing public, interest on loans made to farmers varies with the cost of money and differences in administrative cost. At the present time, 11 of the banks are making loans at 5½ percent and one charges an interest rate of 5.2 percent. There is a statutory limit of 6 percent. A land bank loan may not be made for more than 40 years but most of them have maturities of 20 to 35 years. Presently there are some 384,000 land bank loans outstanding in the approximate amount of \$4.3 billion.

*Section 2(a).*—To obtain a Federal land bank loan, an application is submitted to the bank through the local Federal land bank association. Before a loan is closed, the Federal Farm Loan Act, as it now reads (12 U.S.C. 751-7, 712), requires the following procedure:

(1) A written report on the security is made by an appraiser designated or appointed by the Federal land bank of the district. This appraiser may be the manager or another employee of the association.

(2) A written report is made by the association loan committee which consists of three or more members of the association who are borrowers from the land bank. The manager of the association is also eligible for membership on the loan committee. The committee is elected by the board of directors of the association and, in addition to approving loans on behalf of the association, it may also be authorized to elect applicants to membership in the association.

(3) Final approval of a loan is by the Federal land bank, but no loan may be made unless the report of the appraiser and the report of the association loan committee are favorable.

Under step (2), the association loan committee report form often must be taken out to the members for approval and signature. This may involve two or three separate trips to the homes of the members



in different parts of the association territory. The present amendment would permit this step in the present procedure to be modified. It would do this by rendering report and approval by the manager or another employee of the association acceptable, if duly authorized, in lieu of action by its loan committee. This is claimed to be warranted in many instances because of the training and experience of such personnel. Without minimizing the importance of approval action by members of the association, it is recognized that there are circumstances in which an association would want to and would be justified in giving this responsibility to a competent manager or other employee. To what extent an association chooses to do so would be determined by its own board of directors. It would also be subject to authorization by the board of directors of the Federal land bank of the district and by the Farm Credit Administration. One of the limitations intended by the Farm Credit Administration is that the manager or other employee authorized to act in lieu of the association loan committee shall not act on a loan in which he is interested directly or indirectly. The Farm Credit Administration has indicated, too, that actions by the manager or other employee under the new authority would be reviewed by the association loan committee or board of directors at their next meeting. The committee has been assured that this review will also cover applications on which the recommendation by the manager or other employee was not favorable.

*Section 2(b).*—This amendment concerns an applicant for a Federal land bank loan who owns and is farming as a single operation land in more than one farm credit district. Under existing law, Federal land bank loans "shall be secured by duly recorded first mortgages on farmland within the farm credit district in which the land is situated" (12 U.S.C. 771 First). To the existing law, section 2(b) would add:

and which mortgages may include farmland within other farm credit districts to the extent authorized by the Farm Credit Administration.

An identical addition would be made with reference to first mortgages which a Federal land bank is authorized to acquire otherwise than by making new loans, i.e., by investment or purchase (12 U.S.C. 781 Second). The stated intention is to permit an applicant with a farming operation in more than one district to be served by one land bank instead of borrowing from two or more such banks. There is no intention to permit a Federal land bank to lend on farmland outside of its own district except in connection with farmland in its own district, all being owned and operated by a single eligible applicant. The committee understands, in addition, that Farm Credit Administration regulations will require the concurrence of the Federal land bank for the district in which the land is situated before another Federal land bank may make a loan on it.

*Section 2(c).*—The major statutory eligibility requirements for Federal land bank loans are (12 U.S.C. 771 Sixth):

No such loan shall be made to any person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations. \* \* \* the term "person" includes an individual or a corporation engaged in farming operations; \* \* \* but no such loan shall be made to a cor-



poration unless the principal part of its income is derived from farming operations *and unless owners of stock in the corporation assume personal liability for the loan to the extent required under rules and regulations prescribed by the Farm Credit Administration.* \* \* \*

Section 2(c) would strike out the italicized words. This would eliminate the assumption of personal liability by a stockholder as an eligibility requirement for a Federal land bank loan to a corporation. The stated intention is that such assumption of personal liability may instead be required for credit and policy reasons. Such supervisory guidelines as are deemed necessary in this respect would be covered in rules and regulations issued by the Farm Credit Administration.

Most Federal land bank loans are made to individual farmers or ranchers, although loans to corporations have been authorized since 1935. For the last calendar year, the total of the loans to corporations has been 0.65 percent in number and 4.52 percent in amount of all of the loans made by the 12 Federal land banks.

By the present amendment, there is no intention to increase or prefer corporate farming over family or individual farming. It is recognized, though, that there are families and individuals who have organized a corporation for their farming. In most cases it is expected that at least some of them, as stockholders, will continue to be required to provide personal liability for a loan to their corporation for credit or policy reasons. This would have to be done in any cases where the local Federal land bank association, which endorses and thereby incurs liability for the loan, conditions its favorable recommendation on such personal liability being required. However, in instances where such assumption of personal liability is not obtainable, and the loan otherwise meets all requirements, it is thought that the Federal land banks should no longer in every instance be precluded from making a loan for want of such personal liability. While this amendment will enlarge the possible loan service for only a limited number of applicants, any increased lending under it will also benefit the banks and all of their borrowers.

*Section 2(d).*—Under existing law, "The amount of loans to any one borrower may not exceed \$100,000 unless approved by the Farm Credit Administration \* \* \*" (12 U.S.C. 771 Seventh). In this requirement section 2(d) would substitute "an amount specified by the Farm Credit Administration" for the "\$100,000" limitation. This will leave it for the Farm Credit Administration to specify the size of the loans which a Federal land bank may close without the prior approval of the Farm Credit Administration. The committee sees no objection to giving the Farm Credit Administration such discretion in view of the successful lending experience of the land banks. In the last calendar year, 1,118 out of a total of 58,403 Federal land bank loans were in excess of \$100,000. The average size of an outstanding Federal land bank loan is \$11,100.

The present amendment refers only to the size of a loan which may be closed by a Federal land bank without the prior approval of the Farm Credit Administration. It has no reference to the maximum loan which may be made. That is now fixed by the Farm Credit Administration at not more than the higher of (1) 10 percent of the net worth of the bank making the loan, or (2) one-twelfth of 10 percent of the combined net worth of all Federal land banks. As recognized

under the preceding amendment, sound loan volume benefits both the banks and their borrowers. The committee presently sees no occasion to object to it, so long as the lending is to applicants who are within the letter and spirit of the eligibility requirements quoted under the preceding amendment.

#### FEDERAL INTERMEDIATE CREDIT BANKS

*Background.*—The 12 Federal intermediate credit banks, 1 in each farm credit district, are organized and operate under title II which was added to the Federal Farm Loan Act by the Agricultural Credits Act of 1923. Their function is to finance the 471 production credit associations and over 100 other financing institutions that make short- and intermediate-term loans to farmers and ranchers. The total of such financing by the credit banks during 1965 was \$5.3 billion. Over 90 percent of such business was with the production credit associations.

The credit banks do this financing by discounting for the production credit associations and the other financing institutions, with their endorsement, the notes taken by them from the farmers and ranchers, and also by making loans to the associations and other financing institutions secured by such collateral as may be approved by the Governor of the Farm Credit Administration. Loans may also be made to the associations without collateral to the extent authorized by the Farm Credit Administration. The loan funds of the credit banks are obtained chiefly through the sale of their consolidated debentures to the investing public so that the interest and discount rates which the banks charge depend upon the rates of interest which the banks have to pay on their debentures and differences in administrative cost. The presently approved rates for the different banks range from  $5\frac{1}{4}$  to  $5\frac{3}{4}$  percent.

About 35 percent of the total capital stock of the Federal intermediate credit banks is owned by the production credit associations, and the other 65 percent continues to be owned by the Government. Under amendments enacted in 1956 and 1965, it is intended that the associations eventually will come to own all of the capital stock in such banks as their Government capital is gradually retired.

*Section 3(a).*—To the existing powers of the Federal intermediate credit banks would be added authority "to purchase for investment obligations of the Federal land banks and the banks for cooperatives and, to the extent authorized by the Farm Credit Administration, obligations of any agencies of the United States." The latter obligations would include consolidated notes of the Federal home loan banks and securities issued by the Federal National Mortgage Association. Similar investments are now permitted for the Federal land banks and the banks for cooperatives.

Under existing law, the credit banks have been limited to investments in U.S. Government bonds for their funds which are not immediately needed for financing the production credit associations and other financing institutions for lending to farmers and ranchers. Such additional investment authority would add flexibility through a wider choice of investment media of various maturities. In most instances, too, it would provide the credit banks with a higher interest yield on such investments. While such additional investments would be mostly for a short term, they nonetheless would be available, if



needed, as collateral for debentures issued by the Federal intermediate credit banks and as collateral for other borrowings. If used as collateral for debentures, the additional investments would be a relatively minor part of the debenture collateral which in the main consists of loans discounted for or made to the production credit associations and other financing institutions.

*Section 3(b).*—Existing law (12 U.S.C. 1092) specifically requires each Federal intermediate credit bank to make three reports a year to the Farm Credit Administration as to the resources and liabilities of the banks, verified by an officer, and signed by at least three directors. Such reports must be published in a newspaper where the bank is located and are subject to proof of publication. Special reports may also be required by the Farm Credit Administration. In lieu of the existing requirements, section 3(b) would provide that:

The Farm Credit Administration may require reports in such form as it may specify from any or all of the Federal intermediate credit banks whenever in its judgment the same are necessary for a full and complete knowledge of its of their financial condition or operations.

The Farm Credit Administration presently keeps informed of the condition of the banks by requiring monthly reports and through examinations of the banks. The amendment would make no change in this respect. What it would do is relieve the banks of locally publishing their separate sworn and attested statements at least three times a year. Inasmuch as the individual banks have not separately issued debentures since 1935, what may once have been deemed a reason for the present local publication requirement no longer exists. In any event, the separate statements of each bank are widely distributed in its district to all who have an interest in the bank and to anyone on request. Since the banks may not accept deposits, there is no depositor group to be considered. Of more interest to the investing public are the consolidated financial and earnings statements of the 12 banks, since the banks are jointly and severally liable for their consolidated debentures. These are available in a brochure that is distributed to debenture dealers, commercial banks, and other interested parties. They also are widely circulated by investment services and periodicals. Among other places, both the individual and the consolidated statements are included in the annual report of the Farm Credit Administration to Congress and in the audit reports of the Comptroller General.

#### BANKS FOR COOPERATIVES

*Background.*—The 13 banks for cooperatives, one in each farm credit district and the Central Bank for Cooperatives in the District of Columbia, were organized under the Farm Credit Act of 1933. They make loans to farmers' marketing, purchasing, and service cooperatives. Three distinct types of loans are made: facility, commodity, and operating capital loans. Since the loan funds of the banks, other than those available from their capital and surplus, are obtained from the sale of consolidated debentures to the investing public, interest rates charged by the banks for cooperatives depend, to a large extent, upon the rates they have to pay on their debentures. Interest rates vary with the type and term of loan and between banks. At the



present time, interest rates charged by the banks for cooperatives range from a low of 4¼ percent to a high of 5¼ percent. The legal maximum is 6 percent.

The banks for cooperatives were capitalized by the United States out of the revolving fund from which the Federal Farm Board previously made loans to cooperatives under the Agricultural Marketing Act of 1929. Since the Farm Credit Act of 1955, the Government capital in the banks for cooperatives is being systematically retired by the creation of permanent capital provided by the users of the banks. The maximum Government capital ever in the banks has been reduced by about 71 percent. Two of the banks for cooperatives (Berkeley and Houston) retired all of their Government capital in 1965, and the other banks are expected to do so by 1970.

*Section 4.*—As now in effect (12 U.S.C. 1134c, 1134j), the Farm Credit Act of 1933 provides that—

Subject to such terms and conditions as may be prescribed by the Farm Credit Administration,

the 12 district banks for cooperatives and the Central Bank for Cooperatives are authorized—

(a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended.

Section 4 of the bill, as introduced, would delete the words:

for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended.

With the committee amendment, section 4 would also transfer to the Farm Credit Act of 1933 the sentence, now contained in the Agricultural Marketing Act (12 U.S.C. 1141f(a)), which specifies that the interest rate on loans by any bank for cooperatives may not exceed 6 percent.

The amended authority of the banks for cooperatives in the 1933 act then would be:

Subject to such terms and conditions as may be prescribed by the Farm Credit Administration \* \* \* (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended.

The only provision of the Agricultural Marketing Act hereafter applicable would be section 15(a), which defines the farmer cooperative associations that are eligible to borrow (12 U.S.C. 1141j(a)). All other loan provisions of the Agricultural Marketing Act would no longer be applicable.

The more significant provisions that would be rendered inapplicable are those contained in section 7 of the Agricultural Marketing Act, as amended (12 U.S.C. 1141e). Most of such provisions originated in 1929 when loans were made from the revolving fund established under the act which then also provided for other programs which have since been discontinued. As currently in effect, the provisions that would be rendered inapplicable may be summarized as follows:

(1) Under section 7, physical facility loans may not exceed 60 percent of the appraised value of the security therefor (7(c)(1)) and

must be repaid upon an amortization plan over a period not in excess of 20 years (7(d)). Further, no loan for the purchase or lease of facilities may be made unless the Governor of the Farm Credit Administration finds that the purchase price or rent to be paid is reasonable (7(c)(2)).

(2) The separate references to loans to construct or acquire or refinance physical facilities (7(a)(2)), loans to assist in the effective merchandising of agricultural commodities and food products thereof, and loans to a cooperative association for financing its operations (7(a)(1)), in effect constitute a classification of loans. These have come to be referred to as facility, commodity, and operating capital loans. Starting in 1933 the statutory interest rate provision for commodity and operating capital loans was different than for facility loans. However, in 1955 that distinction was removed, and since then all loans have been subject to the same general interest provision which will continue applicable as noted earlier. If the present separate statutory provisions for facility loans are now to become inapplicable, it is considered to follow that there no longer would be occasion for the present separate classes of loans.

(3) At present section 7(b) also provides that the loans shall be in furtherance of the policy declared in section 1 of the Agricultural Marketing Act of 1929 (12 U.S.C. 1141), many of the purposes of which have since expired and no longer are relevant. It also requires that the cooperative association applying for the loan has an organization and management, and business policies, of such character as to insure the reasonable safety of the loan and the furtherance of such policy.

Inasmuch as the banks for cooperatives have now had over 33 years of lending experience during which time almost 48,000 loans for a total of about \$15 billion have been made, it is thought that the statutory provisions that have just been reviewed no longer serve a useful purpose. Without them, but still subject to such terms and conditions as may be prescribed by the Farm Credit Administration, it is thought that the banks for cooperatives will have more flexibility and be in a better position to meet the needs of the farmer cooperatives that are eligible for loans.

At the hearings, the Farm Credit Administration outlined the terms of the regulations it was considering for this lending. Assurance was given that the loans to farmer cooperatives will both meet their needs and conform to adequate credit standards.

#### FARM CREDIT BOARD ELECTIONS

*Section 5.*—The Farm Credit Administration conducts polls of the three voting groups in each farm credit district (i.e., Federal land bank associations, production credit associations, and cooperative associations eligible to vote as stockholders of the bank for cooperatives) to elect members to the district farm credit boards and to designate persons for consideration by the President for appointment to the Federal Farm Credit Board. Under existing law (12 U.S.C. 640e, 640f), a ballot may not be counted unless it is received by the Farm Credit Administration within 30 days after it was mailed out. Section 5 would increase the 30-day period to 60, except that for elections to fill vacancies the Farm Credit Administration may specify a shorter period than 60 days but not less than 30 days. This would

be effective starting with the next calendar year. The longer period will give the Federal land bank associations and production credit associations more flexibility in scheduling the meetings of their boards of directors at which their vote in those polls is decided upon.

#### FEDERAL FARM CREDIT BOARD

*Section 6.*—The Federal Farm Credit Board consists of 13 members 1 appointed by the President with the advice and consent of the Senate from each of the 12 farm credit districts, and a 13th member who is a representative of the Secretary of Agriculture. This is a part-time Board which has responsibility for the general direction and supervision of the Farm Credit Administration that otherwise consists of the Governor and other employed personnel. The present amendment would increase from “\$50” to “\$100” the sum that each member of the Federal Farm Credit Board shall receive for each day spent in the performance of his official duties. As provided in the Farm Credit Act of 1953, such compensation may not be paid for more than 75 days in a calendar year (12 U.S.C. 636e (f)). The increased compensation would be more in line with that paid other personnel since the Government Employees Salary Reform Act of 1964 and the Federal Employees Salary Act of 1965. As is the case with all administrative expenses of the Farm Credit Administration, the compensation of the members of the Federal Farm Credit Board is paid from assessments against the banks and associations supervised by the Farm Credit Administration.

#### DEPARTMENTAL VIEWS

The letter from the Farm Credit Administration requesting enactment of this bill, and the letter from the Department of Agriculture stating that it has no objection to the bill are attached.

DECEMBER 23, 1965.

The Honorable the PRESIDENT OF THE SENATE,  
*U.S. Senate.*

DEAR MR. PRESIDENT: There is transmitted herewith a proposed bill to amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes. The laws that would be amended relate to Federal land banks, Federal intermediate credit banks, banks for cooperatives, farm credit board elections and compensation of Federal Farm Credit Board. In this presentation, the amendments are taken up under the headings and numbering used in the proposed bill.

#### FEDERAL LAND BANKS

*Section 2(a).*—Under the Federal Farm Loan Act, there are 12 Federal land banks which make long-term land mortgage loans to farmers and ranchers. One such bank is located in each of the 12 farm credit districts into which the 50 States and Puerto Rico are divided. The loans are made through local Federal land bank associations and each borrower from a land bank becomes a member of the association through which the loan was made. There are from 28 to 90 such associations in the different farm credit districts.



Under existing law (12 U.S.C. 751-7), an association loan committee of three or more members, for which the association manager also is eligible (12 U.S.C. 712), is required to make a written report on each applicant and the security offered and no loan may be made unless the report of the loan committee is favorable. In certain circumstances, and on a permissive basis, it now is intended that the manager or another employee of the association may be authorized to render the kind of written report and approval that otherwise is required of the loan committee. This would be only to the extent authorized by the Farm Credit Administration, the Federal land bank of the district, and the board of directors of the particular association. Further, in lieu of the association directors or loan committee electing an applicant to membership in the association as is now required (12 U.S.C. 712, 745), it is intended that the favorable report and approval by the manager or other employee in such cases shall constitute the applicant a member of the association.

*Section 2(b).*—As to loans made, invested in, or purchased by a Federal land bank, a basic requirement is that they shall be secured by first mortgages on farmland within the farm credit district in which the bank is situated (12 U.S.C. 771 First, 781 Second). On occasion an applicant owns and is farming as a single operation land in more than one farm credit district. In order to enable a single Federal land bank to adequately finance such an applicant, it is proposed to provide that the mortgages taken by a Federal land bank may include farmland within other farm credit districts to the extent authorized by the Farm Credit Administration.

*Section 2(c).*—The major statutory eligibility requirements for Federal land bank loans are (12 U.S.C. 771 Sixth):

“No such loan shall be made to any person who is not at the time, or shortly to become, engaged in farming operations or to any other person unless the principal part of his income is derived from farming operations. \* \* \* the term ‘person’ includes an individual or a corporation engaged in the farming operations; \* \* \* but no such loan shall be made to a corporation unless the principal part of its income is derived from farming operations *and unless owners of stock in the corporation assume personal liability for the loan to the extent required under rules and regulations prescribed by the Farm Credit Administration.* \* \* \*”

The italicized words would be stricken under the proposal now being made. This would eliminate the assumption of personal liability by a stockholder as an eligibility requirement for a Federal land bank loan to a corporation. The intention is that such assumption of personal liability may instead be required on the basis of credit factors. Such supervisory guidelines as are deemed necessary in this respect would be covered in rules and regulations issued by the Farm Credit Administration.

*Section 2(d).*—Under existing law, “The amount of loans to any one borrower may not exceed \$100,000 unless approved by the Farm Credit Administration \* \* \*” (12 U.S.C. 771 Seventh). The present proposal is to replace the “\$100,000” with “an amount specified by it”. This would leave it to the Farm Credit Administration to specify the amount in excess of which loans would require its prior approval. Under such an amendment, it would be possible, on a permissive basis, to accord the Federal land bank a wider latitude for individual loan

action. This is deemed justified in view of the Federal land banks now having nearly 50 years of successful experience in making loans. Aside from the present proposal, the Farm Credit Administration will continue to review the quality of the loans that are made and used as collateral for bonds that are sold to the investing public.

#### FEDERAL INTERMEDIATE CREDIT BANKS

*Section 3(a).*—The 12 Federal intermediate credit banks, 1 in each farm credit district, are organized and operate under title II which was added to the Federal Farm Loan Act by the Agricultural Credits Act of 1923. Their function is to finance the 474 production credit associations and about 100 other financing institutions that make short- and intermediate-term loans to farmers and ranchers.

The credit banks do this financing by discounting for the production credit associations and the other financing institutions, with their endorsement, the notes taken by them from the farmers and ranchers, and also by making loans to the associations and other financing institutions secured by such collateral as may be approved by the Governor of the Farm Credit Administration. The banks are also authorized to make loans to and discount paper for any other Federal intermediate credit bank, any Federal land bank, or any bank for cooperatives.

Under existing law, there is no specific provision for the Federal intermediate credit banks to invest in interest-bearing securities any funds on hand that are not immediately needed for their discount and loan operations. However, since the banks are authorized to use U.S. Government bonds, in addition to the discounts and loans, as collateral for their debentures sold to the investing public, it has been considered to follow that the banks may invest in U.S. Government bonds.

It now is proposed that the Federal intermediate credit banks also should be authorized "to purchase for investment obligations of the Federal land banks and the banks for cooperatives and, to the extent authorized by the Farm Credit Administration, obligations of any agencies of the United States." Aside from yielding income on otherwise idle funds, such obligations, along with the discounts and loans and U.S. Government bonds, would also be available to use as collateral for the debentures (12 U.S.C. 1041, 1031).

*Section 3(b).*—Under existing law (12 U.S.C. 1092), each Federal intermediate credit bank must make three reports a year to the Farm Credit Administration as to the resources and liabilities of the bank verified by an officer and signed by at least three directors. Such reports must be published in a newspaper. Special reports may also be required. In lieu of the existing requirements, it is now proposed that "The Farm Credit Administration may require reports in such form as it may specify from any or all of the Federal intermediate credit banks whenever in its judgment the same are necessary for a full and complete knowledge of its or their financial condition or operations."

#### BANKS FOR COOPERATIVES

*Section 4.*—The banks for cooperatives make loans to eligible farmer cooperative associations engaged in marketing farm products, purchasing farm supplies or rendering farm business services. As it now reads (12 U.S.C. 1134c, 1134j), the Farm Credit Act of 1933 pro-



vides that "Subject to such terms and conditions as may be prescribed by the Farm Credit Administration, the 12 district banks for cooperatives and the Central Bank for Cooperatives are authorized (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, *for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended.*" The amendment now proposed is to strike the italicized words. The intended effect of this would be to leave the purposes and conditions and limitations of the loans to be prescribed by the Farm Credit Administration, although two provisions of the Agricultural Marketing Act would continue applicable as noted below.

Among the purposes and conditions and limitations in the Agricultural Marketing Act that thus would be rendered inoperative are those contained in section 7 thereof (12 U.S.C. 1141e). More particularly, the purposes or kinds of loans specified in section 7 and the limitations therein as to the amount, security, plan, and period of repayment for facility loans no longer would be applicable as a matter of law although any of them could be prescribed by the Farm Credit Administration.

The following interest rate provision in section 8(a) of the Agricultural Marketing Act, as amended in 1955 (12 U.S.C. 1141f(a)), would continue applicable since by its own terms it refers to a bank for cooperatives:

"(a) Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan."

The definition of a "cooperative association" in section 15(a) of the Agricultural Marketing Act, as amended (12 U.S.C. 1141j (a)), would continue to determine the cooperative associations to which loans may be made by the banks for cooperatives. This is because no change is being made in that part of the provision from the Farm Credit Act of 1933 quoted above which authorizes the banks for cooperatives "to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended."

#### FARM CREDIT BOARD ELECTIONS

*Section 5.*—The Farm Credit Administration conducts polls of the three voting groups in each farm credit district (i.e., Federal land bank associations, production credit associations, and cooperative associations eligible to vote as stockholders of the bank for cooperatives) to elect members to the district farm credit boards and to designate persons for consideration by the President for appointment to the Federal Farm Credit Board. Under existing law (12 U.S.C. 640e, 640f), a ballot may not be counted unless it is received by the Farm Credit Administration within 30 days after it was mailed out. The proposed amendment would increase the 30-day period to 60, except that for elections to fill vacancies the Farm Credit Administration may specify a shorter period than 60 days but not less than 30 days. This would be effective starting with the next calendar year.



## FEDERAL FARM CREDIT BOARD

*Section 6.*—The Federal Farm Credit Board consists of 13 members, 1 appointed by the President with the advice and consent of the Senate from each of the 12 farm credit districts, and a 13th member who is a representative of the Secretary of Agriculture. This is a part-time Board which has responsibility for the general direction and supervision of the Farm Credit Administration that otherwise consists of the Governor and other employed personnel. The amendment now being proposed would increase from “\$50” to “\$100” the sum that each member of the Federal Farm Credit Board shall receive for each day spent in the performance of his official duties. As provided in the Farm Credit Act of 1953, such compensation may not be paid for more than 75 days in a calendar year (12 U.S.C. 636c(f)). The increased compensation would be more in line with that paid other personnel since the Government Employees Salary Reform Act of 1964.

\* \* \* \* \*

In addition to the draft of proposed bill there is enclosed herewith a copy of those sections of the acts of Congress proposed to be amended on which is indicated the changes that would be made by the proposed bill.

This submission is as directed by the Federal Farm Credit Board and early consideration and enactment of the proposed bill is recommended.

The Bureau of the Budget has advised that there is no objection to the presentation of the proposed bill from the standpoint of the administration's program.

Very truly yours,

R.B. TOOTELL, *Governor.*

DEPARTMENT OF AGRICULTURE,  
*Washington, D.C., February 23, 1966.*

HON. ALLEN J. ELLENDER,  
*Chairman, Committee on Agriculture and Forestry,*  
*U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your request of January 28, 1966, for a report on S. 2822, a bill to amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes.

This Department has no objection to the bill.

The Bureau of the Budget advises that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

ORVILLE L. FREEMAN, *Secretary.*

## CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

## FEDERAL FARM LOAN ACT

## TITLE I—FEDERAL FARM LOANS

\* \* \* \* \*

## RESTRICTIONS ON LOANS BASED ON FIRST MORTGAGES

SEC. 12. That no Federal land bank organized under this Act shall make loans except upon the following terms and conditions:

First. Said loans shall be secured by duly recorded first mortgages on farm land within the farm credit district in which the bank is situated *and which mortgages may include farm land within other farm credit districts to the extent authorized by the Farm Credit Administration.*

\* \* \* \* \*

## POWERS OF FEDERAL LAND BANKS

SEC. 13. That every Federal land bank shall have power, subject to the limitations and requirements of this Act—

\* \* \* \* \*

Second. To invest such funds as may be in its possession in the purchase of qualified first mortgages on farm lands situated within the farm credit district within which it is organized or for which it is acting *and which mortgages may include farm land within other farm credit districts to the extent authorized by the Farm Credit Administration.* In order to reduce and/or refinance farm mortgages, to invest such funds as may be in its possession in the purchase of first mortgages on farm lands situated within the farm credit district within which it is organized or for which it is acting *and which mortgages may include farm land within other farm credit districts to the extent authorized by the Farm Credit Administration,* or to exchange farm-loan bonds for any duly recorded first mortgages on farm lands executed prior to the date this paragraph, as amended, takes effect, at a price which shall not exceed in each individual case the amount of the unpaid principal of the mortgage on the date of such purchase or exchange, or 50 per centum of the normal value of the land mortgaged and 20 per centum of the value of the permanent insured improvements thereon as determined upon an appraisal made pursuant to this Act, whichever is the smaller: *Provided,* That any mortgagor whose mortgage is acquired by a Federal land bank under this paragraph shall be entitled to have his farm-mortgage indebtedness refinanced in accordance with the provisions of sections 7 and 8 of this Act on the basis of the amount paid by the bank for his mortgage.

\* \* \* \* \*

## DISCOUNTS AND LOANS

SEC. 202. (a) The Federal intermediate credit banks, when chartered and established, shall have power, subject solely to the restrictions, limitations, and conditions contained in this Act or as may be prescribed by the Farm Credit Administration not inconsistent with the provisions of this Act—

(1) to discount for, or purchase from, any production credit association organized under the Farm Credit Act of 1933, as amended, with its endorsement, any note, draft, or other such obligation presented by such association; and to make loans and advances to any such association secured by such collateral as may be approved by the Governor of the Farm Credit Administration;

(2) to discount for, or purchase from, any national bank, State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, credit union, and any association of agricultural producers engaged in the making of loans to farmers and ranchers, with its endorsement, any note, draft, or other such obligation the proceeds of which have been advanced or used in the first instance for any agricultural purpose, including the breeding, raising, fattening, or marketing of livestock; and to make loans and advances to any such financing institution secured by such collateral as may be approved by the Governor of the Farm Credit Administration: *Provided*, That no such loan or advance shall be made upon the security of collateral other than notes or other such obligations of farmers and ranchers eligible for discount or purchase under the provisions of this section, unless such loan or advance is made to enable the financing institution to make or carry loans for any agricultural purpose; [and]

(3) to make loans to and discount paper for any other Federal intermediate credit bank, any Federal land bank, or any bank for cooperatives organized under the Farm Credit Act of 1933, as amended, all upon terms and at rates of interest or discount approved by the Farm Credit Administration [.] and

(4) *to purchase for investment obligations of the Federal land banks and the banks for cooperatives and, to the extent authorized by the Farm Credit Administration, obligations of any agencies of the United States.*

\* \* \* \* \*

## EXAMINATIONS AND REPORTS

SEC. 208. \* \* \*

\* \* \* \* \*

(b) [Every Federal Intermediate Credit Bank shall make to the Farm Credit Administration not less than three reports during each year as requested by the administration and according to the form which may be prescribed by the administration, verified by the oath or affirmation of the president, or secretary, or treasurer, of each Federal Intermediate Credit Bank and attested by the signature of at least three of the directors. Each report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the Federal Intermediate Credit Bank at the close of business on any past day specified by the Farm Credit Administration within five days from the receipt of a request or requisition therefor from the administration, and



in the same form in which it is made to the Farm Credit Administration shall be published in a newspaper published in the place where such Federal Intermediate Credit Bank is established, or if there is no newspaper in the place, then in the one published nearest thereto, in the same county, at the expense of the bank; and such proof of publication shall be furnished as may be required by the Farm Credit Administration. The Farm Credit Administration shall also have power to call for special reports from any particular Federal Intermediate Credit Bank whenever in its judgment the same are necessary for a full and complete knowledge of its *[sic]* condition. *The Farm Credit Administration may require reports in such form as it may specify from any or all of the Federal intermediate credit banks whenever in its judgment the same are necessary for a full and complete knowledge of its or their financial condition or operations.*

\* \* \* \* \*

#### AGRICULTURAL MARKETING ACT

\* \* \* \* \*

#### MISCELLANEOUS LOAN PROVISIONS

SEC. 8. (a) Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan.]

(b) Payments of principal or interest upon any such loan or advance shall be covered into the revolving fund.

(c) Loans to any cooperative association or stabilization corporation shall be made upon the terms specified in this Act and upon such other terms not inconsistent therewith and upon such security as the board deems necessary.

(d) No loan or insurance agreement shall be made by the board if in its judgment the agreement is likely to increase unduly the production of any agricultural commodity of which there is commonly produced a surplus in excess of the annual marketing requirements.

\* \* \* \* \*

#### FARM CREDIT ACT OF 1933

\* \* \* \* \*

#### LENDING POWER OF CENTRAL BANK

SEC. 34. Subject to such terms and conditions as may be prescribed by the Farm Credit Administration, the Central Bank is authorized: (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended[, for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended]; (b) to make loans (by way of discount or otherwise) to banks for cooperatives organized under section 2 of this Act or to Federal land banks or Federal intermediate credit banks; (c) to buy

from, and sell to, any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and (d) to borrow from, and discount or rediscount paper with, any and all such banks and commercial banks. *Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan.*

Notwithstanding any limitations or conditions imposed by law, but subject to the availability of funds, the Central Bank for Cooperatives shall have power and authority to make separate loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for the purpose of financing the construction of structures for the storage of agricultural commodities (other than structures to provide refrigerated cold storage or structures located in areas in which existing privately owned storage facilities for the commodity concerned are adequate) in amounts up to a maximum of 80 per centum of the cost of such structures, as approved by such bank: *Provided*, That the cooperative association which has applied for any loan shall have furnished to such bank an appropriate commitment from the Commodity Credit Corporation that the Commodity Credit Corporation will lease or guarantee utilization of not less than 75 per centum of the storage space contained in such structures when completed for a period of at least three years if such structures are not additions to existing structures, or two years if such structures are additions to existing structures.

\* \* \* \* \*

#### LENDING POWER OF BANKS FOR COOPERATIVES

SEC. 41. Subject to such terms and conditions as may be prescribed by the Farm Credit Administration, the banks for cooperatives are authorized (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended [ , for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended ] ; (b) to make loans (by way of discount or otherwise) to any bank organized under this Act or to Federal land banks or Federal intermediate credit banks; (c) to buy from, and sell to, any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and (d) to borrow from, and discount or rediscount paper with, any and all such banks and commercial banks. *Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan.*

Notwithstanding any limitations or conditions imposed by law, but subject to the availability of funds, each Bank for Cooperatives shall have power and authority to make separate loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for the purpose of financing the construction of structures for the storage of agricultural commodities (other than structures to provide refrigerated cold storage or structures in areas in which existing



privately owned storage facilities for the commodity concerned are adequate) in amounts up to a maximum of 80 per centum of the cost of such structures, as approved by the Bank for Cooperatives to whom application is made for the loans: *Provided*, That the cooperative association which has applied for any loan shall have furnished to the Bank for Cooperatives an appropriate commitment from the Commodity Credit Corporation that the Commodity Credit Corporation will lease or guarantee utilization of not less than 75 per centum of the storage space contained in such structures when completed for a period of at least three years if such structures are not additions to existing structures, or two years if such structures are additions to existing structures.

Notwithstanding any other provision of law, any officer or employee of the Farm Credit Administration or of any bank for cooperatives designated to act as custodian of collateral securing loans made by any such bank to any cooperative association eligible to borrow therefrom may, in accordance with regulations of the Farm Credit Administration, act at the same time as custodian of collateral securing loans made by any other lenders to any cooperative association eligible to borrow from any such bank.

\* \* \* \* \*

### FARM CREDIT ACT OF 1937

\* \* \* \* \*

#### SEC. 5. \* \* \*

\* \* \* \* \*

(e) At least two months before an election of an elected director the Farm Credit Administration shall cause notice in writing to be sent to those entitled to nominate candidates for such elected director. In the case of an election of a director by Federal land bank associations and borrowers through agencies, such notice shall be sent to all Federal land bank associations and borrowers through agencies in the district; in the case of an election by production credit associations, such notice shall be sent to all production credit associations in the district; and in the case of an election by cooperatives which are stockholders or subscribers to the guaranty fund of the bank for cooperatives of the district, such notice shall be sent to all cooperatives which are stockholders or subscribers to the guaranty fund at the time of sending notice. After receipt of such notice those entitled to nominate the director shall forward nominations of residents of the district to the Farm Credit Administration. The Farm Credit Administration shall, from the nominations received within [thirty] *sixty* days after the sending of such notice, prepare a list of candidates for such elected director consisting of the ten nominees receiving the highest number of votes, *except that for elections to fill vacancies the Farm Credit Administration may specify a shorter period than sixty days but not less than thirty days.*

(f) At least one month before the election of an elected director the Farm Credit Administration shall mail to each person or organization entitled to elect the elected director the list of the ten candidates nominated in accordance with the preceding paragraph of this section.



In the case of an election of a director by Federal land bank associations and borrowers through agencies, the directors of each land bank association shall cast the vote of such association for one of the candidates on the list. In voting under this section each such association shall be entitled to cast a number of votes equal to the number of stockholders of such association and each borrower through agencies shall be entitled to cast one vote. In voting under this section each production credit association shall be entitled to cast a number of votes equal to the number of the class B stockholders of such association. In voting under this section each cooperative which is a holder of stock in, or a subscriber to the guaranty fund of, the bank for cooperatives shall be entitled to cast one vote. The votes shall be forwarded to the Farm Credit Administration and no vote shall be counted unless received by it within [thirty] *sixty* days after the sending of such list of candidates, *except that for elections to fill vacancies the Farm Credit Administration may specify a shorter period than sixty days but not less than thirty days.* In case of a tie the Farm Credit Administration shall determine the choice. The nominations from which the list of candidates is prepared, and the votes of the respective voters, as counted, shall be tabulated and preserved and shall be subject to examination by any candidate for at least one year after the result of the election is announced.

\* \* \* \* \*

FARM CREDIT ACT OF 1953

\* \* \* \* \*

FEDERAL FARM CREDIT BOARD

SEC. 4. \* \* \*

\* \* \* \* \*

(f) Each member of the Board shall receive the sum of ~~[\$50]~~ \$100 for each day or part thereof spent in the performance of his official duties, which compensation, however, shall not be paid for more than seventy-five days (or parts of days) in any calendar year; and shall not be paid to the Secretary's representative if he is a full-time officer or employee of the United States, or such payment is otherwise prohibited by law; and in addition, shall be reimbursed for necessary travel, subsistence, and other expenses incurred in the discharge of his official duties, without regard to other laws with respect to allowances which may be made on account of travel and subsistence expenses of officers and employed personnel of the United States.

\* \* \* \* \*





**S. 2822**

[Report No. 1695]

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IN THE HOUSE OF REPRESENTATIVES

APRIL 18, 1966

Referred to the Committee on Agriculture

JULY 13, 1966

Reported with amendments, committed to the Committee of the Whole House  
on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

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**AN ACT**

To amend various provisions of the laws administered by the  
Farm Credit Administration to improve operations there-  
under, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*  
3 That the laws administered by the Farm Credit Administra-  
4 tion relating to Federal land banks, Federal intermediate  
5 credit banks, banks for cooperatives, farm credit board elec-  
6 tions and compensation of Federal Farm Credit Board, are  
7 amended as hereinafter provided.

8                               FEDERAL LAND BANKS

9       SEC. 2. Title I of the Federal Farm Loan Act, as  
10 amended, is ~~amended~~— *amended*



1           ~~(a)~~ by adding the following subsection at the end of  
2           section 10 thereof ~~(12 U.S.C. 751-757):~~

3           ~~“(h)~~ To the extent authorized by the Farm Credit Ad-  
4           ministration, the Federal land bank of the district, and the  
5           board of directors of a Federal land bank association, a writ-  
6           ten report and approval by the manager or another employee  
7           of the association designated for the purpose shall be accept-  
8           able in lieu of the written report and approval otherwise re-  
9           quired of the loan committee under this section; and in such  
10          cases the favorable report and approval by the manager or  
11          other employee shall constitute the applicant a member of the  
12          association.”

13           ~~(b)~~ by inserting immediately before the period  
14          at the end of paragraph First of section 12 thereof  
15          (12 U.S.C. 771 First) and immediately before the  
16          period at the end of the first sentence and immediately  
17          before the second comma in the second sentence of  
18          paragraph Second of section 13 thereof (12 U.S.C.  
19          781 Second) the following: “and which mortgages may  
20          include farm land within other farm credit districts to  
21          the extent authorized by the Farm Credit Admin-  
22          istration”; *Administration*”.

23           ~~(c)~~ by striking “and unless owners of stock in the  
24          corporation assume personal liability for the loan to  
25          the extent required under rules and regulations pre-

scribed by the Farm Credit Administration” from the fourth sentence of paragraph Sixth of section 12 thereof (~~12 U.S.C. 771 Sixth~~); and

~~(d) by substituting “an amount specified by the Farm Credit Administration” for “\$100,000” in paragraph Seventh of section 12 thereof (12 U.S.C. 771 Seventh).~~

#### FEDERAL INTERMEDIATE CREDIT BANKS

SEC. 3. Title II of the Federal Farm Loan Act, as amended, is amended—

(a) in section 202 (a) thereof (12 U.S.C. 1031), by deleting “and” at the end of paragraph (2), by substituting “; and” for the period at the end of paragraph (3) and by adding the following new paragraph:

“(4) to purchase for investment obligations of the Federal land banks and the banks for cooperatives and, to the extent authorized by the Farm Credit Administration, obligations of any agencies of the United States.”; and

(b) by changing section 208 (b) thereof (12 U.S.C. 1092) to read as follows: “The Farm Credit Administration may require reports in such form as it may specify from any or all of the Federal intermediate credit banks whenever in its judgment the same are

1      necessary for a full and complete knowledge of its or  
2      their financial condition or operations.”

## 3 BANKS FOR COOPERATIVES

4 SEC. 4. (a) Sections 41 and 34 of the Farm Credit  
5 Act of 1933, as amended (12 U.S.C. 1134c and 1134j),  
6 are each amended—

7 (i) by striking from clause (a) in the first sentence  
8 thereof the following: “, for any of the purposes and  
9 subject to the conditions and limitations set forth in such  
10 Act, as amended”; and

(ii) by adding the following sentence immediately after the first sentence thereof: "Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan."

(b) The Agricultural Marketing Act, as amended, is amended by deleting subsection (a) of section 8 thereof (12 U.S.C. 1141f(a)).

## 22 FARM CREDIT BOARD ELECTIONS

23 SEC. 5. The Farm Credit Act of 1937, as amended,  
24 is amended by substituting “sixty” for “thirty” in the last  
25 sentence of section 5 (e) thereof (12 U.S.C. 640e) and in



1 the third last sentence of section 5 (f) thereof (12 U.S.C.  
2 640f) and by inserting the following immediately before  
3 the period at the end of each of such sentences: “, except  
4 that for elections to fill vacancies the Farm Credit Ad-  
5 ministration may specify a shorter period than sixty days  
6 but not less than thirty days”. This section shall be effective  
7 after the calendar year in which it is enacted.

8 FEDERAL FARM CREDIT BOARD

9 SEC. 6. Section 4 (f) of the Farm Credit Act of 1953  
10 (12 U.S.C. 636c (f) ) is amended by substituting “\$100”  
11 for “\$50” therein.

Passed the Senate April 14, 1966.

Attest:

EMERY L. FRAZIER,

*Secretary.*

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# AN ACT

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To amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes.

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APRIL 18, 1966

Referred to the Committee on Agriculture

JULY 13, 1966

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed







July 18, 1966

14. TOBACCO; HEALTH. Sen. Moss inserted an article describing an experiment which he called "the most recent evidence that cigarette smoking causes lung damage." p. 15278

HOUSE

15. HOUSING. The Banking and Currency Committee reported during adjournment July 15, H. R. 15890, with amendment, the city demonstration program bill (H. Rept. 1699 and accompanying document H. Rept. 1699, Pt. II). p. 15247
16. TRANSPORTATION. The Government Operations Committee reported July 15 during adjournment, H. R. 15963, with amendments, to establish a Department of Transportation (H. Rept. 1701). p. 15247
17. HIGHWAYS. The Public Works Committee reported with amendment H. R. 14359, to authorize appropriations for the fiscal years 1968 and 1969 for the construction of certain highways (H. Rept. 1704). p. 15247
18. LANDS. A subcommittee of the Interior and Insular Affairs Committee approved for full Committee action, H. R. 13955, amended, to authorize the Secretary of the Interior to grant patents to certain lands under the provisions of the Color of Title Act. p. D634
19. WATER RESOURCES. Passed with amendment S. 3034, to authorize feasibility studies of certain potential Federal reclamation projects in 17 Western States. H. R. 13419, a similar bill, was tabled. pp. 15193-15201
20. FARM CREDIT. Passed as reported S. 2822, to amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder. pp. 15201-2
21. WATER POLLUTION. Rep. Vanik commended and inserted Cleveland, Ohio, Mayor Locher's testimony before the Public Works Committee on the proposed Federal Water Pollution Control Amendments of 1966. pp. 15243-6
22. FOREIGN AID. Rep. Reuss discussed the needs and problems of agricultural development in Latin America and urged U. S. leadership through the Inter-American Development Bank as a means to meet the Latin American "food crisis." pp. 15220-2

ITEMS IN APPENDIX

23. FEDERAL-STATE RELATIONS. Sen. Javits inserted an analysis on the problem of Federal-State-local relations. pp. 13749-50
24. POVERTY. Rep. Cederberg inserted an article, "Poverty Aid Can Be Embarrassing." p. A3751
- Extension of remarks of Rep. Jones, Ala., assessing the "real record" of the war on poverty and inserting an article. pp. A3758-9
- Extension of remarks of Rep. Carter commending the resource development action in Appalachia. p. A3760
- Extension of remarks of Rep. Quillen stating that "...bureaucracy and politics are dangerously stifling any attempts at concrete and useful advances" of the poverty program. p. A3763

25. RECREATION. Extension of remarks of Rep. Johnson, Calif., commenting on some of the problems in acquiring lands for parks and recreation programs. p. A3752
26. OPINION POLL. Reps. Jonas and Keith inserted the results of questionnaires including items of interest to this Department. pp. A3755-6, A3769-70
27. WATER SUPPLY. Extension of remarks of Rep. Rumsfeld stating that it is imperative that the American people and governments at all levels realize the gravity of the water crisis. p. A3768
28. FARM PROGRAM. Rep. Skubitz inserted an article critical of "restriction" placed on this Department's permission for drought-stricken Kansas counties to harvest hay or graze livestock on land retired from production. pp. A3780-1
29. FOREIGN AID. Speech in the House by Rep. Rees supporting an amendment to the foreign aid authorization bill to restrict aid to the United Arab Republic. pp. A3785-6

#### BILLS INTRODUCED

30. LANDS. S. 3622 by Sen. Moss, to amend the Mineral Leasing Act of February 25, 1920, as amended; to Interior and Insular Affairs Committee. Remarks of author p. 15250  
H. R. 16299 by Rep. Battin, providing that certain privately owned irrigable lands in the Milk River project in Montana shall be deemed to be excess lands; to Interior and Insular Affairs Committee.
31. EMPLOYMENT. H. R. 16307 by Rep. Quie and H. R. 16308 by Rep. Goodell, to mesh the combined efforts of government at all levels with private endeavors to provide jobs and dignity for the poor; to Education and Labor Committee.
32. FOOD. H. Con. Res. 831 by Rep. Dyal, expressing the sense of the Congress with respect to certain proposed regulations of the Food and Drug Administration relating to the labeling and content of diet foods and diet supplements; to Interstate and Foreign Commerce Committee.
33. SEED. H. R. 16280 by Rep. Abernethy, to amend the Federal Seed Act (53 Stat. 1275) as amended; to Agriculture Committee.
34. POSTAL SERVICE. H. R. 16286 by Rep. Dingell, making an appropriation to enable the Post Office Department to extend city delivery service on a door delivery service basis to postal patrons now receiving curbside delivery service who qualify for door delivery service; to Appropriations Committee.

#### PRINTED HEARINGS RECEIVED BY THIS OFFICE

35. RESEARCH. S. 2322, 3059, and 3138, dog-cat handling bills. S. Commerce Committee.
36. POSTAL SERVICE. H. R. 5180, 9551, zip code system in the U. S. Postal Service. H. Post Office and Civil Service Committee.
37. ORGANIZATION. S. 3010, to establish a Dept. of Transportation. Part 4. S. Government Operations Committee.



River Basin in southeastern Oregon and southwestern Idaho;

Upper Snake River project, Big Wood division, in southern Idaho in the Big Wood River Basin near the towns of Ketchum and Sun Valley;

Upper Snake River project, Oakley Fan division, south of the Snake River near Burley, Idaho;

Tualatin project, second phase, in the Tualatin River Basin twenty miles west of Portland, Oregon.

#### Region 2

Lake Tahoe project in the Lake Tahoe Basin in eastern California and western Nevada and the American River Basin in California.

#### Region 3

Morongo-Yucca-Upper Coachella Valley project in Riverside County, California;

Little Rock dam and reservoir, Little Rock, California.

#### Region 4

Colorado River Basin, power peaking capacity, in the Colorado River Basin in Arizona, Colorado, and Utah, and in the eastern part of Bonneville Basin along the Wasatch Mountains in Utah;

Grand County development, in the Colorado River Basin in southeastern Utah;

Gray Canyon project, on the Green River in eastern Utah;

Price River development, in the Price River basin in eastern Utah;

San Juan County development, in the Colorado River basin in southeastern Utah;

Ute Indian unit of the Central Utah project, ultimate phase.

#### Region 5

Mimbres project in the Mimbres River Basin in southwestern New Mexico.

#### Region 6

Missouri River Basin project, North Dakota pumping division, Horsehead Flats and Winona units on the east side of the Missouri River in the general vicinity of Linton, North Dakota;

Missouri River Basin project, South Dakota pumping division, Grass Rope and Fort Thompson units on the Missouri River in the vicinity of the towns of Lower Brule and Fort Thompson, South Dakota.

#### Region 7

Missouri River Basin project, Elkhorn division, Highland unit, on the Upper Elkhorn River in northeastern Nebraska;

Missouri River Basin project, Solomon division, Glen Elder irrigation unit, on the Solomon River in the vicinity of the towns of Downs and Delphos, Kansas;

Missouri River Basin project, Marais des Cygnes River Basin project.

SEC. 4. The Secretary, pursuant to the authority contained in sections 2 and 3 of this Act, shall submit to the Committees on Interior and Insular Affairs of the Senate and House of Representatives within one year after completion of the final feasibility plan those studies of proposals determined to be feasible, with alternate studies for the construction, operation, and maintenance of each water resource project or proposal in all instances where practical alternatives are known to the Secretary. The Secretary shall provide in the initial and/or alternate studies all the data and information on short-term and long-term benefits and costs necessary for the comprehensive and integrated development of each water resource project or proposal, including any and all factors directly, indirectly, ancillary, and/or incidental to the comprehensive development of each water resource project or proposal.

SEC. 5. The Secretary is authorized to engage in feasibility studies on additional proposals when and to the extent that the costs of such studies shall have been advanced by non-Federal sources.

The amendment was agreed to.

The Senate bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Without objection, a similar House bill was laid on the table.

### GENERAL LEAVE TO EXTEND

Mr. ROGERS of Texas. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

### SIMPLIFICATION OF LAWS—FARM CREDIT ADMINISTRATION

Mr. POAGE. Mr. Speaker, I move to take from the Speaker's desk the bill (S. 2822) to amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes, with amendments, to suspend the rules, and pass the bill with amendments.

The Clerk read as follows:

S. 2822

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the laws administered by the Farm Credit Administration relating to Federal land banks, Federal intermediate credit banks, banks for cooperatives, farm credit board elections and compensation of Federal Farm Credit Board, are amended as hereinafter provided.

#### FEDERAL LAND BANKS

SEC. 2. Title I of the Federal Farm Loan Act, as amended, is amended—

(a) by adding the following subsection at the end of section 10 thereof (12 U.S.C. 751-757):

"(h) To the extent authorized by the Farm Credit Administration, the Federal land bank of the district, and the board of directors of a Federal land bank association, a written report and approval by the manager or another employee of the association designated for the purpose shall be acceptable in lieu of the written report and approval otherwise required of the loan committee under this section; and in such cases the favorable report and approval by the manager or other employee shall constitute the applicant a member of the association."

(b) by inserting immediately before the period at the end of paragraph First of section 12 thereof (12 U.S.C. 771 First) and immediately before the period at the end of the first sentence and immediately before the second comma in the second sentence of paragraph Second of section 13 thereof (12 U.S.C. 781 Second) the following: "and which mortgages may include farm land within other farm credit districts to the extent authorized by the Farm Credit Administration";

(c) by striking "and unless owner of stock in the corporation assume personal liability for the loan to the extent required under rules and regulations prescribed by the Farm Credit Administration" from the fourth sentence of paragraph Sixth of section 12 thereof (12 U.S.C. 771 Sixth); and

(d) by substituting "an amount specified by the Farm Credit Administration" for "\$100,000" in paragraph Seventh of section 12 thereof (12 U.S.C. 771 Seventh).

#### FEDERAL INTERMEDIATE CREDIT BANKS

SEC. 3. Title II of the Federal Farm Loan Act, as amended, is amended—

(a) in section 202(a) thereof (12 U.S.C. 1031), by deleting "and" at the end of paragraph (2), by substituting "; and" for the period at the end of paragraph (3) and by adding the following new paragraph:

"(4) to purchase for investment obligations of the Federal land banks and the banks for cooperatives and, to the extent authorized by the Farm Credit Administration, obligations of any agencies of the United States."; and

(b) by changing section 208(b) thereof (12 U.S.C. 1092) to read as follows: "The Farm Credit Administration may require reports in such form as it may specify from any or all of the Federal intermediate credit banks whenever in its judgment the same are necessary for a full and complete knowledge of its or their financial condition or operations."

#### BANKS FOR COOPERATIVES

SEC. 4. (a) Sections 41 and 34 of the Farm Credit Act of 1933, as amended (12 U.S.C. 1134c and 1134j), are each amended—

(1) by striking from clause (a) in the first sentence thereof the following: "for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended"; and

(2) by adding the following sentence immediately after the first sentence thereof: "Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Association, but in no case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan."

(b) The Agricultural Marketing Act, as amended, is amended by deleting subsection (a) of section 8 thereof (12 U.S.C. 1141f(a)).

#### FARM CREDIT BOARD ELECTIONS

SEC. 5. The Farm Credit Act of 1937, as amended, is amended by substituting "sixty" for "thirty" in the last sentence of section 5(e) thereof (12 U.S.C. 640e) and in the third last sentence of section 5(f) thereof (12 U.S.C. 640f) and by inserting the following immediately before the period at the end of each of such sentences: "except that for elections to fill vacancies the Farm Credit Administration may specify a shorter period than sixty days but not less than thirty days". This section shall be effective after the calendar year in which it is enacted.

#### FEDERAL FARM CREDIT BOARD

SEC. 6. Section 4 (f) of the Farm Credit Act of 1953 (12 U.S.C. 636c(f)) is amended by substituting "\$100" for "\$50" therein.

The SPEAKER pro tempore. Is a second demanded?

Mr. TEAGUE of California. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered. The gentleman from Texas will be recognized for 20 minutes and the gentleman from California will be recognized for 20 minutes.

Mr. POAGE. Mr. Speaker, this is a bill to revise certain of the farm credit procedures and involves some six items. The first relates to the land banks and provides that the land banks may make loans covering land which is situated in two or more different farm credit districts. The present law would require that if a loan is made on a farm that happens to lie on the boundary line between two districts, that two separate loans



must be made, although the land belongs to the same owner and is in one unit. We simply felt that this is a practical situation which should be cured. The land bank district lines are purely arbitrary, but there have to be land bank district lines, and we feel that this will reduce the burden of work on both the borrower and on the banks.

A second amendment relates to the intermediate credit banks and provides that they may invest in the obligations of the land banks and the banks for cooperatives, and to the extent authorized by the Farm Credit Administration Board, in any other obligations of any of the agencies of the United States.

The purpose of that is simply to make it plain that these agencies may buy the obligations issued by other Farm Credit institutions and, where the Farm Credit Board approves it, any of the other agencies of the country.

The next amendment provides that the Board of the Farm Credit Administration may require reports from the Intermediate Credit banks at any time and ask for a full and complete disclosure of their financial operations. In the past those reports have been required, I believe, on an annual basis. It was felt that it would be much better to simply give the Board the right to make the demand at any time.

The next amendment relates to the banks for cooperatives and provides that the banks for cooperatives may make loans for any lawful purpose to their member cooperatives without regard to the act of 1929, which was actually passed before we got into these present operations, and which related to the old agencies that have been superseded by the Farm Credit Administration.

The next amendment relates to the election of the members of the Farm Credit Board—which is held by mail, incidentally—at present the results are reported from the separate associations all over the country as soon as possible after a Board meeting. Previously, we have had only 30 days to make those reports. This gives 60 days, the purpose being to enable the associations to hold the election, report it back, and get it done without the necessity of calling any special meetings of the Board. They usually meet once a month, and about half of them normally meet at such time that, in order to get the report in in the 30-day period, they have required a special meeting, for which the local agency has to pay.

Finally, the last amendment relates to the compensation of the members of the Federal Farm Credit Board—that is the National Board. The amendment increases that compensation from \$50 to \$100 per day. Presently most of the members of the local boards—and there is a board for each of these banks—draws \$75 a day, whereas the Federal Board members draw less than most of the local board members do.

Mr. Speaker, I reserve the balance of my time.

Mr. HOLIFIELD. Mr. Speaker, will the gentleman from Texas yield?

Mr. POAGE. Yes, I yield to the gentleman from California.

Mr. HOLIFIELD. Mr. Speaker, I just came in and I did not understand all of the gentleman's explanations. I refer to page 6, section 2(d), of the report that accompanies S. 2822. I do not have the bill in front of me. As I understand it, the committee is amending the present law to remove the prior approval of the Farm Credit Administration to loans that go beyond the \$100,000 mark. Is that correct?

Mr. POAGE. If the gentleman will follow it, he will find that the committee did not approve that amendment, which was in the original bill. The committee felt as the gentleman does, that these larger loans should be reviewed.

We have brought the bill in with the amendments, and that section is stricken out by one of the amendments. That is a provision which the administration suggested but which we did not approve. Our committee agrees with the gentleman from California.

Mr. HOLIFIELD. I am glad the gentleman has clarified that situation, because I could not see why that particular provision should be in the bill.

[Mr. TEAGUE of California addressed the House. His remarks will appear hereafter in the Appendix.]

(Mr. DAGUE asked and was given permission to revise and extend his remarks.)

Mr. DAGUE. Mr. Speaker, I rise in support of S. 2822 as reported by the Committee on Agriculture.

Basically this bill consists of six amendments to the various farm credit laws and is designed to perfect and improve these programs which have been and are operating so successfully.

As the bill came to the committee from the other body it contained nine amendments to the laws dealing with the Federal land banks, the Federal intermediate credit banks, the banks for cooperatives, and the Farm Credit Administration in general.

The Conservation and Credit Subcommittee held hearings on the bill and unanimously recommended to the full committee that three of these amendments be deleted. These three amendments are explained at page 2 of the committee report. The full committee has approved this bill unanimously.

In brief the bill would do six things.

First. Federal land banks would be permitted to take mortgages on land in other farm credit districts.

Second. Federal intermediate credit banks would be permitted to invest in obligations of the land banks, banks for cooperatives, and any agencies of the United States.

Third. Federal Intermediate Credit Bank financial reports could be submitted when deemed necessary rather than at regularly scheduled times.

Fourth. The loan purpose limitations presently applying to the banks for cooperatives would be broadened, but the interest rates in present law would be continued.

Fifth. A 60-day—rather than a 30-day—period would be provided for election ballots to be cast in the election of district board members.

Sixth. The compensation of board members would be increased from \$50 per day to \$100 per day for official duties, but not more than 75 days per year could be devoted to such duties.

#### SUMMARY

This bill was considered both in subcommittee and in full committee. It was unanimously reported to the House, and it should be approved by the House.

Mr. TEAGUE of California. Mr. Speaker, I yield such time as he may consume to the gentleman from Kansas [Mr. DOLE].

Mr. DOLE. Mr. Speaker, I rise in support of S. 2822. As pointed out by the gentleman from California and the gentleman from Texas this bill was very carefully considered by our committee and was reported unanimously by the committee.

(Mr. DOLE asked and was given permission to revise and extend his remarks.)

Mr. TEAGUE of California. Mr. Speaker, I yield such time as he may consume to the gentleman from Indiana [Mr. HARVEY].

Mr. HARVEY of Indiana. Mr. Speaker, I also support this bill. I believe particularly the proposals which are incorporated in it are in the interest of better operations of the Farm Credit Administration.

(Mr. HARVEY of Indiana asked and was given permission to revise and extend his remarks.)

Mr. TEAGUE of California. Mr. Speaker, I have no further requests for time. I wish to say, however, that in the opinion of most of us—and I believe all of us who serve on the Committee on Agriculture—the Farm Credit Administration is one of the better Federal agencies.

The SPEAKER pro tempore. The question is on the motion of the gentleman from Texas that the House suspend the rules and pass the bill S. 2822 as amended.

The question was taken, and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

#### LEASING AUTHORITY OF POSTMASTER GENERAL

Mr. DANIELS. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 14548) to extend the authority of the Postmaster General to enter into leases of real property for periods not exceeding 30 years, and for other purposes.

The Clerk read as follows:

H.R. 14548

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2109 of title 39, United States Code, is amended to read as follows:*

"§ 2109. Time limitations on agreements

"Agreements may not be entered into under sections 2104 and 2105 of this title after July 22, 1964."







July 21, 1966

13. DAIRY INDUSTRY. Sen. Proxmire urged action on the milk support price and child nutrition bills as important aids to dairy farm income. p. 15783
14. SUGAR QUOTAS. Sen. Symington urged an increase in the domestic share, especially for Missouri, of future sugar quota increases. p. 15845
15. ELECTRIFICATION. Sen. Talmadge announced subcommittee hearings on legislation authorizing supplemental financing for rural electrification systems on Mon., Aug. 15. p. 15843
16. FARM CREDIT. Concurred in House amendments to S. 2822, to amend various provisions of the laws administered by the Farm Credit Administration with respect to the powers of the Federal land banks to invest funds in the purchase of first mortgages and to discount or purchase notes from credit organizations, lending powers of banks for cooperatives, loans to cooperative associations as defined in the Agricultural Marketing Act, etc. This bill will now be sent to the President. pp. 15794-5
17. ORGANIZATION OF CONGRESS. Sen. Monroney stated that the Joint Committee on the Organization of the Congress had announced approval of its final report and inserted a summary of recommendations by the Committee (pp. 15862-4). The recommendations include the following: Various provisions designed to strengthen committee procedures including the announcement of committee hearings at least two weeks in advance and the requirement that witnesses should submit written statements at least two days in advance. Changes in committee jurisdiction including the creation of new committees on education in each House. Strengthening of fiscal controls by (1) the use of automatic data processing; (2) the improvement of the budget document to include multiple-year financial projections for ongoing programs, better descriptions of carryover balances, updating of budget summaries on June 1, and more detail on financial assumptions underlying the budget totals; (3) modification of the appropriations process to include examination of multiagency programs, open hearings, yea and nay votes on all appropriation bills; and (4) requirement of more uniform distribution of GAO audits and reports, and reference to those reports in agency budget justifications. Improvement of the scheduling of Congressional business by providing for committee and floor business on a 5-day workweek, requiring a majority rollcall vote in each House to extend the session beyond July 31; and providing for no session in August except in time of war.

#### ITEMS IN APPENDIX

18. FOOD FOR FREEDOM. Rep. Mize inserted an address emphasizing the role which agriculture and the people trained in this field, will play in bringing peace to the family of nations. pp. A3853-4  
Rep. Hamilton inserted an article describing Herschel Newsom's, National Grange, "personal war on hunger." pp. A3859-60
19. RECLAMATION. Rep. McFall inserted Commissioner Dominy's, Bureau of Reclamation, address, "Reclamation Is Conservation." pp. A3855-7
20. FORESTS; RECREATION. Rep. Marsh inserted a speech delivered at the dedication ceremony of a recreation area in the George Washington National Forest. pp. A3867-8

21. INFLATION. Extension of remarks of Rep. McCarthy urging Congress to use restraint in appropriating funds for governmental operations, and expressing concern over "this matter of inflation." p. A3868
22. WATER. Extension of remarks of Rep. Marsh commending small communities for undertaking major public works programs, and inserting an address: "Water-- Virginia's Priceless Resource." pp. A3880-1

BILLS INTRODUCED

23. TRAILS. H. R. 16419 by Rep. Fraser, to establish a nationwide system of trails; to Interior and Insular Affairs Committee. Remarks of author pp. 15923-4
24. VETERANS. H. R. 16420 by Rep. Fraser, to authorize on-the-job training programs, on-the-farm training programs, and certain flight training under chapter 34 of title 38, United States Code, to increase the educational assistance allowances paid under such chapter; to Veterans' Affairs Committee. Remarks of author p. 15924
25. HEALTH. H. R. 16434 by Rep. White of Texas, to amend the Public Health Service Act by adding a new title X thereto which will establish a program to provide doctors in rural areas of need; to Interstate and Foreign Commerce Committee. Remarks of author p. 15928
26. PERSONNEL. H. R. 16451 by Rep. Hanley, to provide for improved employee-management relations in the Federal service; to Post Office and Civil Service Committee.
27. LABELING. H. Con. Res. 847 by Rep. Rivers of Alaska, expressing the sense of the Congress with respect to certain proposed regulations of the Food and Drug Administration relating to the labeling and content of diet foods and diet supplements; to Interstate and Foreign Commerce Committee.
28. MINERALS. S. 3636 by Sen. Allott, to establish a national mining and minerals policy; to Interior and Insular Affairs Committee.
29. CREDIT BANKS. S. J. Res. 178 by Sen. Ellender, to delete the interest rate limitation on debentures issued by Federal intermediate credit banks; to Agriculture and Forestry Committee.

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COMMITTEE HEARINGS JULY 22:

REA financing and child nutrition program, H. Agriculture (exec).

oOo



defeating itself. But there are recommendations which are fair and effective to protect the public interest. I have made one—S. 2797—and there are others which have been recommended.

We are not asking for miracles. We are asking for the President's recommendations—for the best judgment of the President and his advisers. We do not expect him to make a recommendation which every interest in the Nation will endorse. Certainly he attaches no such precondition in other legislative fields, such as civil rights.

It is high time the Congress acted in this field. If the President is to make recommendations, let him make them now. But with or without the recommendations of the administration, the time for action is now, and the Congress should act if the President does not.

Mr. President, on Monday, July 18, 1966, the Buffalo, N.Y., Courier-Express ran an excellent editorial on this subject, and I ask unanimous consent that it be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

#### IMPROVED LABOR LEGISLATION IS NEEDED NOW

Senator JACOB JAVITS who is generally recognized as a friend of organized labor is spearheading a drive in Congress for enactment of new legislation to protect the public interest in labor disputes such as the one which prevented flights by five major airlines.

The strike against the airlines by the International Assn. of Machinists is one of many walkouts which have had adverse effects on the nation's economy in recent years. In each of them, the President exhausted all the statutory powers available to him.

Senator JAVITS' proposed legislation would authorize the President, after all else has failed, to seek appointment by a federal court of a special receiver to operate the struck facilities.

Appointing a special receiver is a drastic step, one which certainly could not be taken lightly. But on the other hand, disputes which tie up vital industries also are drastic and they call for drastic remedies.

The Javits proposal, as the senator says, "has the merit of protecting the public, leaving the parties free to continue their bargaining as long as necessary to reach a settlement and avoiding compulsory arbitration."

The Javits bill may not be the best answer to the problem. But there is no question that we need an answer, one which will serve the public without giving either labor or management an unfair advantage.

Labor leaders would do well to cooperate with Senator JAVITS and their other friends in Congress to devise a law with which they can live and which will, at the same time, protect the public. If they fail to do so, they may find themselves bound by legislation which is in no way agreeable to them.

Senator JAVITS insists that "the time to act and the time for Congress to enact is now." All concerned should work together calmly and reasonably to see that what is enacted meets the need in the most beneficial way.

Mr. KUCHEL. Will the Senator yield?

Mr. TYDINGS. Mr. President, I shall yield after I answer the distinguished senior Senator from New York.

Mr. President, I feel that the responsibility of the President is to make every effort within his Executive power, including calling together the heads of the union and of management, to settle this

strike. However, I could not disagree more with the distinguished senior Senator from New York that the primary responsibility for the proposal of legislation in this field belongs with the President.

That is one of the troubles with the drift of Congress in recent years. We are always waiting for the administration to propose legislation. Congress is charged in the Constitution with the proposal of legislation. We should be proposing legislation. It is certainly far better to have presidential support. It insures and helps success. However, I think the responsibility rests here in Congress, with the Labor Committees and with the individual Senators, to propose legislation and not to wait for the President.

I think in this instance his responsibility is to call in the president of the union and the presidents of the airlines and tell them they must settle the strike. He should put the full weight of his office behind his endeavor.

I think the primary responsibility for the proposal of legislation is with Congress.

Mr. JAVITS. Mr. President, I love and respect the Senator from Maryland, as he knows. However, what the Senator has said is not borne out by either the facts or the Constitution.

The fact is that the President has promised to send us recommendations. I did not promise that. He did. He promised that last January.

The President constantly requests legislation by special message and by his state of the Union message.

I think Congress ought to act, if the President wishes to waive his prerogative. He ought to call in management and labor and seek an end to the strike. However that is no substitute for the power of the United States to operate or for Congress to legislate.

We are legislating in a vacuum today. Personally, I am deeply concerned about the future of collective bargaining. If, every time we get in a jam, the President uses the enormous power of his office to settle the strike, that is a very dangerous development.

I respectfully submit that the President should do his utmost to settle the strike, because there is no legislation.

I do not think that I am asking for anything improper or unreasonable. I think we have a right to say to the President: "You said last January that you are going to send us recommendations." If the President does not send us recommendations, we should act.

I shall do my utmost in my committee to see that we do act, if necessary, by calling up my own bill.

Mr. TYDINGS. Mr. President, I have the greatest respect for the wisdom and the experience of the senior Senator from New York.

I think perhaps that basically we are not too far apart. However, I still maintain my position that as much as we like to have the President's advice on the type of legislation we should enact, and as much as we appreciate his assistance, the basic responsibility for legislation rests

with the Congress and not with the President.

Congress should move the initiating legislation. As a matter of fact, one of the gravest, and I think one of the most valid, criticisms of Congress in recent years, is that we too often wait for the Executive to propose things. It has been said that we should use our own initiative and we should propose, develop, and initiate legislation. I think that however you cut it, the responsibility for legislation is with Congress and not with the President.

Mr. KUCHEL. Mr. President, my views are these:

This Nation cannot afford prolonged disruptions in such indispensable national services as communications or transportation, when it becomes clear that the national welfare is endangered or the national security is placed in jeopardy. In my judgment, as a citizen and as a Senator, that hazard is rapidly growing today.

It is true that some great American airlines are still flying. It is also true that their contracts are about to expire. And it is equally true that most nationwide commercial airlines are shut down.

The President of the United States has a duty. So does Congress. It is true that the President said he would send his recommendations to Congress. I urgently hope that those recommendations will now be forthcoming.

Meanwhile, I was happy to lend my name to the bill introduced a considerable time ago by the Senator from New York [Mr. JAVITS]. That bill represents one approach to this problem. It is, I think, a constructive approach. A few moments ago, the Senator from Oregon suggested that he would introduce a resolution reflecting his approach to the problem.

Leadership is required to pass fair and sound legislation in this highly controversial field. That is what we need. I seek to serve a constructive purpose today, by rising not to iterate and reiterate the tragedy of the present strike, but publicly to urge the members of the Committee on Labor and Public Welfare, the chairman of the Committee on Labor and Public Welfare, and the chairman of the appropriate subcommittee of the Committee on Labor and Public Welfare, to begin hearings now on the problem, on what Congress might do legislatively to help cure a dangerous situation in which the American people find themselves today.

Mr. JAVITS. I believe the service which the Senator is performing is a very admirable one.

I am the ranking minority member of the Committee on Labor and Public Welfare, and I shall make a strong appeal to the chairman of our full committee and to the chairman of the subcommittee to immediately initiate hearings upon these measures—mine, that of the Senator from Ohio [Mr. LAUSCHEL], and of others. I think the time is overdue.

I repeat that I regret very much that the President has not yet seen fit to act, and I see no happy augury in what he said yesterday. If he is looking for a



broad, general consensus, he will not get one in this field.

I hope he will yet lead. I hope that again the situation does not arise in which the moment will go by for legislation, and the President will somehow manage to settle the strike, and then we will wait for the next one to catch us as unprepared as this one did.

I applaud and appreciate the action of my colleagues in bringing this demand to the floor of the Senate, in which the Senator from California, our deputy minority leader, has very eloquently joined.

Mr. KUCHEL. I thank my able friend, the Senator from New York. I echo the sentiments that the Senator has just expressed.

Mr. PASTORE. Mr. President, I have listened with close attention to what my colleagues on the other side of the aisle have said. I hope that this is not a political question.

This problem, or the potentiality of this problem, has been with us for a long, long time. Members of the Senate will recall that in his administration President Kennedy submitted an emergency measure. It became involved in protracted hearings. It was debated in the Senate, and I think we rubbed roughly some people who had a tremendous antipathy to any compulsory arbitration. And that is what the bill proposed: compulsory arbitration.

As a matter of legislative history, I was the manager of that bill. I said at the time that I was advocating the passage of that bill with a heavy heart, because I believed that we had reached the point where we could be doing irreparable harm to our whole process of collective bargaining. After all, it is a keystone of our democratic process.

I believe that the idea expressed here today that we might not have been afflicted with this strike had the President done something a long time ago about sending a message has gone a little bit too far. Legislation is pending in the Senate. As the Senator from Maryland has pointed out, the primary responsibility is with Congress to make the law, and, under the Constitution, the primary responsibility of the President is to enforce the law, and the primary responsibility of the Supreme Court is to interpret the law. But, fundamentally, the responsibility to make the law is in Congress. If there has been any dereliction, if there has been any delay, the blame and the remedy repose primarily on the threshold of Congress.

I realize that something must be done, but let us not run away with the idea that had the President moved the minute that this strike was declared, we would not be in the situation that confronts us today. Realistically, something drastic must be done if negotiation fails. In the doing of this drastic thing that must be done, we shall have to listen to a multitude of people. We shall have to listen to all sides. We shall have to listen to industry. We shall have to listen to labor. We shall have to listen to the public. It will be a long, drawn-out affair, because what we would be doing, basically, would be reforming and modifying our whole process of collective

bargaining. That is not something achieved overnight. That will not be an easy thing to do.

When we do get into those hearings, we will not pass any legislation in haste. It will take a long long time.

I said yesterday—and I repeat today—that this strike is regrettable. There is a law on the books that applies to this situation, but it is not enough. The Taft-Hartley law does not apply to the railroads or to the airlines, because they come under the Railway Act. An act is in existence, and that act is being complied with. And that is all the President can do at the present time.

Senate testimony has assured us that the President has followed every part of the Railway Labor Act—that he has done everything he can do to try to get this case settled.

The President said yesterday that the administration had been working on possible proposals to submit to the Congress to meet such emergencies and they had not come up with legislation acceptable to the President and his Cabinet which legislation, they felt, would have any chance of passage with the Congress.

The argument has been made that had the President carried out the message he gave to the joint session, possibly we would not be in this position today. Maybe we would not be. I do not even know whether Congress would have followed his recommendation. Perhaps the Senator from New York knows.

We all know this: We have been battering ourselves around here for the past week, and what have we been doing? We have been voting down the President of the United States and his recommendations. Under the Constitution, the President is charged with the responsibility of carrying out the foreign policy of this Nation.

I am one Senator who has stood staunchly behind the last four Presidents on foreign aid. I never questioned Truman when he was President and I was a Member of this body. I never questioned Eisenhower when he was the President, though he was a Republican. I voted down the line when Eisenhower said, "I need this to carry on my responsibility as President." I stood behind the President whether he was Republican or Democrat. It did not make any difference to me. I did the same thing with John F. Kennedy. I am doing the same thing now with Lyndon Johnson.

What are some others doing? I have in mind those who are now castigating the President because he did not make drastic recommendation on the airlines.

The President made his recommendation on foreign aid and look what we have been doing to it. They say that if he had made a recommendation on the strike, we would have followed it. Maybe we would have and maybe we would not have. That remains to be seen.

And what has been the initiative of the Congress?

Has the President estopped us?

This is not the fault of the President of the United States. This is the fault of the Congress. Legislation is pending before two committees to rectify the situation. The situation should be rectified.

It should not be permissible for any group of people to blindly and boldly tie up the entire economy of the United States, I do not care who they are. They cannot render this country prostrate. They cannot do that. No one can stop the economic machinery of this country and possibly put millions of people out of work because a few in industry or labor are dissatisfied and hold out irrationally to get what they think they are entitled to. Maybe they are entitled and maybe they are not. And there should be a process of fair hearing and binding judgment.

Somewhere along the line when two parties cannot agree, and when irreparable harm is being done to the whole body of American society, there should be some process by which we can have an umpire to say what is fair and what is not fair.

Mr. President, I shall now complete my remarks. I did not expect to get into this fracas this afternoon, but I suggest in closing that we do our job in Congress and maybe things will be a little better all around.

I yield the floor.

#### AMENDMENT OF VARIOUS PROVISIONS OF LAWS ADMINISTERED BY THE FARM CREDIT ADMINISTRATION

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 2822) to amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes, which were, on page 1, line 10, strike out "amended—" and insert "amended"; on page 2, strike out lines 1 through 12, inclusive; on page 2, line 13, strike out "(b)"; on page 2, lines 21 and 22, strike out "Administration"; and insert "Administration"; and on page 2, strike out all after line 22 over through and including line 7 on page 3.

Mr. TALMADGE. Mr. President, the House yesterday passed S. 2822 with three amendments. The amendments struck from the bill provisions which would have—

First, permitted loan applications to be approved by the manager or other employee of the Land Bank Association instead of by a loan committee;

Second, repealed a requirement that stockholders in a farming corporation assume personal liability to the extent required by Farm Credit Administration regulations on land bank loans to such corporate borrowers; and

Third, repealed the present statutory requirement that any land bank loan in excess of \$100,000 must have prior approval by the Farm Credit Administration.

Governor Tootell, of the Farm Credit Administration, which originally proposed the provisions stricken by the House, has recommended that the Senate agree to the House amendment. He advises that he knows of no opposition to such course of action.



Therefore, Mr. President, I move that the Senate agree to the House amendment.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Georgia.

The motion was agreed to.

#### MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House insisted upon its amendment to the bill (S. 254) to authorize the Secretary of the Interior to construct, operate, and maintain the Tualatin Federal reclamation project, Oregon, and for other purposes, disagreed to by the Senate; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. ASPINALL, Mr. ROGERS of Texas, and Mr. SAYLOR were appointed managers on the part of the House at the conference.

The message also announced that the House had agreed to the amendment of the Senate to the bill (H.R. 139) to provide for the striking of medals to commemorate the 1,000th anniversary of the founding of Poland.

#### MARCH FROM MEMPHIS, TENN., TO JACKSON, MISS., JUNE 5-26, 1966

Mr. EASTLAND. Mr. President, James H. Meredith began a march from Memphis, Tenn., to Jackson, Miss., on June 5, 1966. After Meredith was sprayed with birdshot on June 6, 1966, other individuals converged on Mississippi and continued the march to Jackson.

The following were among the individuals who participated in the march to Jackson:

Edward Crawford, Earl Harris, Blyden Jackson, Bennett Johnson, Clarence Jones, Phillip Lapsansky, Oliver Leeds, Stanley Levison, Derrick Morrison, Ann O'Brien, and C. T. Vivian.

One Edward Crawford was chairman of the New York Council To Abolish the House Committee on Un-American Activities, a Communist-sponsored movement.

Earl Harris, in 1944, was registered as a member of the Communist Party.

Blyden Jackson was formerly the campaign manager for Herbert Aptheker, a member of the National Committee, Communist Party, U.S.A.

One Bennett Johnson, Jr., attended a meeting of the Negro Commission, Communist Party of Illinois in 1964.

Clarence Jones is an attorney who, during the 1950's, held a position of leadership in the Labor Youth League, which has been cited by the Attorney General as a subversive organization under Executive Order 10450.

Phillip Lapsansky is a current member of the Socialist Workers Party, which organization has been cited by the Attorney General as subversive in accordance with Executive Order 10450.

Oliver Leeds is a member of the Communist Party, USA.

Stanley Levison was a secret member of the Communist Party, USA, as late as 1963.

Derrick Morrison is a current member of the Detroit branch of the Socialist Workers Party.

One Ann Mary O'Brien has admitted membership in the Labor Youth League in Chicago from 1954 through 1958.

C. T. Vivian was a member of the Community Section, Communist Party, Peoria, Ill., prior to November 1947.

Mr. President, these were the people who manipulated the Communist invasion of the State of Mississippi.

These were the people who were behind the cries of "black power" in the State, which was nothing but a revolution against constituted legal authority.

These are the people who, in my judgment, are behind the race riots which are occurring in northern cities in this country today. What we have got is an attempt by the Communists to foment revolution in the United States.

Mr. President, in the future I am going to have some other names and much more to say about the Communist revolution which is taking place in this country today.

#### FOREIGN ECONOMIC ASSISTANCE, 1966

The Senate resumed the consideration of the bill (S. 3584) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.

Mr. JAVITS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. JAVITS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, I understand that the distinguished Senator from Virginia [Mr. BYRD] has an amendment he wishes to have printed.

#### AMENDMENT NO. 694

Mr. BYRD of Virginia. Mr. President, I send to the desk an amendment to the foreign economic aid bill (S. 3584) which I intend to propose at the proper time. I ask that it be printed and lie on the table.

The PRESIDING OFFICER. The amendment will be received and printed, and will lie on the table.

Mr. BYRD of Virginia. Mr. President, the pending bill (S. 3584) is in the nature of amendments to the Foreign Aid Act of 1961 which set forth a statement of foreign aid policy. Subsequent acts have expanded that statement.

The Senate Foreign Relations Committee is proposing an additional policy statement in the bill now before the Senate. My amendment would add another expression by Congress.

It is conceded that the Red Chinese are supplying North Vietnam's Vietcong with materiel for fighting the Vietnam

war in which thousands of Americans are being killed.

In March of this year it was publicly disclosed in this country that the West German Government approved—with financial backing—a deal under which a West European consortium would supply steel plants to Communist China.

My amendment would have Congress condemn that action as aiding Communist aggressors, and as a grave blow to the common defense of the free world.

#### REVENUE, EXPENDITURES, DEFICITS

Mr. WILLIAMS of Delaware. Mr. President, the Treasury Department would object if any American taxpayer were to use two sets of books in his business. The Securities and Exchange Commission would take prompt action if any American corporation issued misleading reports to its stockholders. The Department of Justice would move in rapidly if any American corporation when selling its bonds provided prospective purchasers with false or misleading information as to its true income and its expenses.

Yet unfortunately these rules do not apply to the Federal Government.

Yesterday the administration reported that last year's deficit had been brought down to \$2.3 billion. No doubt this will be hailed in financial circles as evidence that we are making great progress in Congress and the executive branch toward balancing the budget and that now there will be no need for a tax increase to finance the Great Society's programs.

But this is not the true picture.

The \$2.3 billion deficit is compared to the \$6.4 billion deficit which was projected by the President in his message to Congress last January.

Also this week—just a couple of days ago—in discussing this problem of expenditures and income with members of the Appropriations Committee, the President emphasized the fact that we were either going to have to cut spending or endorse wage and price controls in this country, or there would have to be a tax increase.

I think that for the RECORD we should straighten out exactly how much this administration is spending as compared to its income.

The fact is that the deficit for 1966, which ended June 30 last, while it may be reported at \$2.3 billion does not tell the true picture.

For example, there were \$7.9 billion taken in during fiscal year 1966 in non-recurring income. This figure is admitted by the Treasury Department. This nonrecurring income is broken down in this manner: In 1964 Congress passed a provision to accelerate payment of corporate taxes, which in fiscal 1966 would have brought in an extra \$1.8 billion. At the time the President spoke last January he referred to this item and included that in his computation. He also told Congress that he was planning to sell \$2.6 billion in assets. This too was



taken into his calculations. Based upon this estimate he still projected a \$6.4 billion deficit for fiscal 1966.

Since January, the administration has taken several additional steps to inflate income on a one-shot basis, steps which were not included in the message of the President.

On March 15, 1966, Congress passed a bill which would further accelerate payments of corporate taxes. This resulted in an increase from corporations for fiscal 1966 of an additional \$1 billion.

In addition, the Treasury Department decided that it would include as a part of the general revenues the profit it makes from reducing the amount of silver in the dimes, quarters, and half dollars. This results in an increase for fiscal 1966 of an additional \$1 billion. This too is nonrecurring income.

In the latter part of May of this year the Treasury Department issued a special regulation which required all corporations over a certain size to start forwarding to the Treasury Department on a semimonthly basis that withheld payroll taxes. Prior to that time, they had been paid on a monthly basis. This executive order accelerating the payment of withheld payroll taxes brought in during fiscal 1966 an addition \$1 billion.

Sales from the stockpile over and above normal sales and transactions represented by sales of the Government of aluminum, copper, and other major commodities, brought in another \$500 million over and above what would be normal.

All together, as a result of steps that have been taken by the Congress plus Executive orders by the administration since last January, there has been brought into the Federal Treasury during fiscal 1966 in nonrecurring income \$3.5 billion more than was taken into consideration in the President's message. This added to the \$4.4 billion of nonrecurring income that were already in the budget brings the total to \$7.9 billion.

I pointed out earlier that already \$4.4 billion, represented by the \$1.8 billion which came from the 1964 act accelerating corporate tax payments and \$2.6 billion representing sales of assets were in the budget estimates.

When we add these figures we find that in fiscal 1966 the Treasury collected \$7.9 billion in nonrecurring income. These are one-shot operations; therefore the real deficit for fiscal 1966 is \$10.2 billion, not \$2.3 billion as claimed.

There will be some nonrecurring income in 1967, which I shall discuss in a moment, but once nonrecurring income is utilized and included as a part of general revenues it cannot be duplicated, nor will there be an opportunity to get this amount again. Congress must take into consideration the amount of nonrecurring income that was included as a part of 1966 general revenues. Part of it was used to reduce reported expenditures, part of it to increase revenues, but it all had the effect of reducing the deficit as reported on June 30.

I repeat, if we take the \$7.9 billion of nonrecurring income and add it to the \$2.3 billion deficit which was reported yesterday we have an expenditure in

fiscal year 1966 of \$10.2 billion more than was taken in income. This is figuring it on the same basis as has always been used prior to this time.

I do not object to the administration accelerating these payments. I supported the legislation which required acceleration of corporate tax payments, but in doing so I said I did not want it to be interpreted by the American taxpayers in any such misleading manner. The fact remains that the Government has spent \$10.2 billion more in fiscal 1966 than it has taken in in normal revenues.

Let us tell the American people the truth.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. PASTORE. No one would dispute what the Senator from Delaware is saying. We all know and admit that the Congress of the United States made certain concessions by law, which, in a sense, did affect the deficit or balance. But will not the Senator grant, in the same spirit, that the President is very much concerned that requests by Congress amount to potentially \$6 billion over and above the requests made by the administration? If that happens, it will not be the fault of the administration or the President; it will be the fault of the Congress of the United States.

Mr. WILLIAMS of Delaware. I do not disagree with that statement. I will go into that further later.

Mr. PASTORE. The Senator from Delaware talks about keeping two sets of books as though there was fraud or deceit practiced on the part of the administration in reporting the last budget deficit. There is no fraud or deceit involved. Nobody is more concerned than the President about overspending. He has had several meetings with various Members of Congress. He had a group of us at the White House recently, emphasizing his request not to adopt legislation going beyond his requests. The spending mood of Congress has a potentiality of \$6 billion more than the budget.

Mr. WILLIAMS of Delaware. I agree with the Senator that the President of the United States cannot spend a dime more than what Congress approves, so Congress does have a responsibility. But the President also signs these bills. I am not trying to place the blame for this alone on either the President or Congress. I am trying to present the facts as far as the American taxpayers are concerned, and it does not make any difference whether it is the fault of the President or of the Congress. Working together we are operators of the Government.

I am presenting the fact that for the fiscal year 1966, instead of a deficit of \$2.3 billion as was reported, the Great Society programs, military expenditures, and so forth, actually amount to \$10.2 billion more than was received in revenues. This is the true picture if we follow the same methods of bookkeeping we always have followed heretofore. That is the point I want to make. Let us report this deficit in its true form.

We must take these facts into our calculations, because while next year we will

have a similar windfall—if one wants to call it that—on these one-shot operations, after fiscal 1967 they will be done.

There will be no more chance for using those one-shot operations. We will not be able to accelerate the payment of corporate taxes beyond the point to which they have already been accelerated in the legislation enacted in 1964 and 1966. Tax payments for corporations as well as for individuals will be on a prepaid basis. At the end of 1967, corporations will be paying in advance on a quarterly basis. Surely no one will advocate that taxes be paid 2 years in advance. Nobody advocates that. So this one-shot operation will come to an end after 1966 and 1967. In the meantime our expenditures are running at an annual rate of about \$10 billion higher than our revenues; this at a time when our economy is at a top level.

I am not trying to place the responsibility for this on either the President or the Congress. Both are responsible. I am merely trying to bring out the facts. We should have accelerated corporate tax payments, and I supported the measure which the administration proposed, but in doing so I wanted it clearly understood that the increased payments evolving therefrom during fiscal 1966 and 1967 would not continue forever and should not be included as normal revenues when reporting the deficit.

Mr. PASTORE. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield to the Senator from Rhode Island.

Mr. PASTORE. Will not the Senator admit that this \$10 billion over and above what we spend in fiscal 1966, as against fiscal 1965, does include the buildup in Vietnam?

Mr. WILLIAMS of Delaware. Oh, yes.

Mr. PASTORE. Of course it does; and that has been much more expensive.

Will the Senator further agree that because of these decisions as to nonrecurring items we made this last fiscal year, and because of the lack of them next year, it behooves the Congress to be very careful in appropriating money that is not essential?

Mr. WILLIAMS of Delaware. The Senator is correct. That is the basis of my argument here today.

Mr. PASTORE. I am happy that the Senator is making this dissertation, but I would hope he would not do it in the tone and spirit of criticizing the administration. I fear that was his purpose.

Mr. WILLIAMS of Delaware. I am merely stating the facts. If the facts are a reflection on the administration, so be it.

I think Congress should understand these figures, because after fiscal 1967 there will be no further nonrecurring income from these sources.

On the seigniorage on coins the Treasury Department has always claimed a small profit, amounting to \$150 million to \$200 million a year. But once they complete this major changeover from the quarters, half dollars, and dimes with the silver content to the present content of mostly copper the large windfall stops. Meanwhile it will result in a \$2.5 billion profit that will be spread over









Public Law 89-525  
89th Congress, S. 2822  
August 2, 1966

## An Act

To amend various provisions of the laws administered by the Farm Credit Administration to improve operations thereunder, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the laws administered by the Farm Credit Administration relating to Federal land banks, Federal intermediate credit banks, banks for cooperatives, farm credit board elections and compensation of Federal Farm Credit Board, are amended as hereinafter provided.

Farm Credit  
Administration.

80 STAT. 333

### FEDERAL LAND BANKS

80 STAT. 334

SEC. 2. Title I of the Federal Farm Loan Act, as amended, is amended by inserting immediately before the period at the end of paragraph First of section 12 thereof (12 U.S.C. 771 First) and immediately before the period at the end of the first sentence and immediately before the second comma in the second sentence of paragraph Second of section 13 thereof (12 U.S.C. 781 Second) the following: "and which mortgages may include farm land within other farm credit districts to the extent authorized by the Farm Credit Administration".

39 Stat. 370.

48 Stat. 42.

### FEDERAL INTERMEDIATE CREDIT BANKS

SEC. 3. Title II of the Federal Farm Loan Act, as amended, is amended—

(a) in section 202(a) thereof (12 U.S.C. 1031), by deleting "and" at the end of paragraph (2), by substituting "; and" for the period at the end of paragraph (3) and by adding the following new paragraph:

70 Stat. 663. .

"(4) to purchase for investment obligations of the Federal land banks and the banks for cooperatives and, to the extent authorized by the Farm Credit Administration, obligations of any agencies of the United States."; and

(b) by changing section 208(b) thereof (12 U.S.C. 1092) to read as follows: "The Farm Credit Administration may require reports in such form as it may specify from any or all of the Federal intermediate credit banks whenever in its judgment the same are necessary for a full and complete knowledge of its or their financial condition or operations."

42 Stat. 1458.

### BANKS FOR COOPERATIVES

SEC. 4. (a) Sections 41 and 34 of the Farm Credit Act of 1933, as amended (12 U.S.C. 1134c and 1134j), are each amended—

49 Stat. 317.

(i) by striking from clause (a) in the first sentence thereof the following: "for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended"; and

(ii) by adding the following sentence immediately after the first sentence thereof: "Loans to cooperative associations made by any bank for cooperatives shall bear such rates of interest as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but in no

case shall the rate of interest exceed 6 per centum per annum on the unpaid principal of a loan."

69 Stat. 662. (b) The Agricultural Marketing Act, as amended, is amended by deleting subsection (a) of section 8 thereof (12 U.S.C. 1141f(a)).

FARM CREDIT BOARD ELECTIONS

50 Stat. 705. SEC. 5. The Farm Credit Act of 1937, as amended, is amended by substituting "sixty" for "thirty" in the last sentence of section 5(e) thereof (12 U.S.C. 640e) and in the third last sentence of section 5(f) thereof (12 U.S.C. 640f) and by inserting the following immediately before the period at the end of each of such sentences: ", except that  
80 STAT. 334 for elections to fill vacancies the Farm Credit Administration may  
80 STAT. 335 specify a shorter period than sixty days but not less than thirty days". This section shall be effective after the calendar year in which it is enacted.

FEDERAL FARM CREDIT BOARD

67 Stat. 392. SEC. 6. Section 4(f) of the Farm Credit Act of 1953 (12 U.S.C. 636c(f)) is amended by substituting "\$100" for "\$50" therein.

Approved August 2, 1966.

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LEGISLATIVE HISTORY:

HOUSE REPORT No. 1695 (Comm. on Agriculture).  
SENATE REPORT No. 1102 (Comm. on Agriculture & Forestry).  
CONGRESSIONAL RECORD, Vol. 112 (1966):

Apr. 14: Considered and passed Senate.  
July 18: Considered and passed House, amended.  
July 21: Senate agreed to House amendment.







# COMMITTEE PRINT NO. 31

MAY 19, 1966

TEXT OF PROPOSED MONRONEY AMENDMENTS ARE  
SHOWN AS FOLLOWS

New matter is in bold *italic* type. Matter proposed to be omitted is in  
linetype.

89TH CONGRESS  
2D SESSION

S. 2322

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IN THE SENATE OF THE UNITED STATES

MAY , 1966

Referred to the Committee on Commerce and ordered to be printed

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## AMENDMENT

(IN THE NATURE OF A SUBSTITUTE)

Intended to be proposed by Mr. MAGNUSON to S. 2322, a bill to authorize the Secretary of Agriculture to regulate the transportation, sale, and handling of dogs and cats intended to be used for purposes of research or experimentation, and for other purposes, viz: Strike out all after the enacting clause and insert in lieu thereof the following:

- 1 That, in order to protect the owners of dogs, cats, and certain
- 2 other animals from theft of such animals, to prevent the sale
- 3 or use of dogs, cats, and certain other animals which have
- 4 been stolen, and to insure that certain animals intended for





1 use in research facilities are provided humane care and treat-  
2 ment, it is essential to regulate the transportation, purchase,  
3 sale, housing, care, handling, and treatment of such animals  
4 by persons or organizations engaged in the transporting, buy-  
5 ing, or selling of animals intended for use in research  
6 facilities.

7 SEC. 2. When used in this Act—

8 (a) The term “person” includes any individual, part-  
9 nership, association, or corporation;

10 (b) The term “Secretary” means the Secretary of Agri-  
11 culture;

12 (c) The term “commerce” means commerce between  
13 any State, territory, possession, or the District of Columbia,  
14 or the Commonwealth of Puerto Rico, and any place outside  
15 thereof; or between points within the same State, territory,  
16 or possession, or the District of Columbia, or the Common-  
17 wealth of Puerto Rico, but through any place outside thereof;  
18 or within any territory, possession, or the District of Co-  
19 lumbia, or the Commonwealth of Puerto Rico;

20 (d) The term “cat” means any live cat (*Felis catus*);

21 (e) The term “dog” means any live dog (*Canis*  
22 *familiaris*);

23 (f) The term “research facility” means any school, in-  
24 stitution, organization, or person that uses or intends to use  
25 animals in research, tests, or experiments, and that (1)



1 purchases or transports such animals in commerce, or (2)  
2 receives funds under a grant, award, loan, or contract from  
3 a department, agency, or instrumentality of the United  
4 States for the purpose of carrying out research, tests, or  
5 experiments;

6 (g) The term "dealer" means any person who, regu-  
7 larly and for profit, transports, except as a common carrier,  
8 or buys and sells animals intended for use in research  
9 facilities;

10 (h) the term "animal" means live dogs, cats, monkeys  
11 (nonhuman primate mammals), guinea pigs (*Cavia cobaya*),  
12 hamsters (*Cricetus*), and rabbits (*Oryctolagus cuniculus*).

13 SEC. 3. It shall be unlawful for any research facility  
14 to purchase animals from any dealer unless such dealer  
15 holds a valid license issued by the Secretary pursuant to  
16 this Act.

17 SEC. 4. *It shall be unlawful for any research facility to*  
18 *purchase or transport animals in commerce unless such re-*  
19 *search facility has obtained a license from the Secretary in*  
20 *accordance with such rules and regulations as the Secretary*  
21 *may prescribe pursuant to this Act.*

22 SEC. 5. It shall be unlawful for any dealer to buy, sell,  
23 offer to buy or sell, transport or offer for transportation  
24 in commerce any animal unless such dealer has obtained a  
25 license from the Secretary in accordance with such rules





1 and regulations as the Secretary may prescribe pursuant  
2 to this Act, and such license has not been suspended or  
3 revoked.

4 SEC. 6. No department, agency, or instrumentality of  
5 the United States which uses animals for research or experi-  
6 mentation shall purchase or otherwise acquire animals for  
7 such purposes from any dealer unless such dealer holds a  
8 valid license issued by the Secretary pursuant to this Act.

9 SEC. 6. The Secretary shall establish standards of  
10 humane care to govern the handling and transportation of  
11 animals by dealers. Such standards shall provide for that  
12 care, as determined by the Secretary, which a humane owner  
13 would ordinarily provide for a household pet to prevent sick-  
14 ness, injury, and suffering, and shall include, but not neces-  
15 sarily be limited to, housing, feeding, watering, sanitation,  
16 ventilation, shelter from extremes of weather and tempera-  
17 ture, separation by species and sex, and adequate veterinary  
18 care.

19 SEC. 7. Every research facility shall register with the  
20 Secretary in accordance with such rules and regulations as  
21 he may prescribe.

22 SEC. 7. The Secretary shall establish and promulgate  
23 standards to govern the humane handling, care, treatment,  
24 and transportation of animals by dealers and research facil-  
25 ities. Such standards shall include, but not necessarily be





1 *limited to, minimum requirements with respect to the hous-*  
2 *ing, feeding, watering, sanitation, ventilation, shelter from*  
3 *extremes of weather and temperature, separation by species,*  
4 *and adequate veterinary care. The foregoing shall not be*  
5 *construed as authorizing the Secretary to prescribe standards*  
6 *for the handling, care, or treatment of animals during actual*  
7 *research or experimentation by a research facility.*

8       SEC. 8. All dogs and cats delivered for transportation,  
9 transported, purchased, or sold in commerce by any dealer  
10 shall be marked or identified in such humane manner as the  
11 Secretary may prescribe.

12       SEC. 9. Research facilities and dealers shall make, and  
13 retain for such reasonable period of time as the Secretary  
14 may prescribe, such records with respect to the purchase,  
15 sale, transportation, identification, and previous ownership of  
16 dogs and cats as the Secretary may prescribe, upon forms  
17 supplied by the Secretary. Such records shall be made avail-  
18 able at all reasonable times for inspection by the Secretary, by  
19 any Federal officer or employee designated by the Secretary.

20       ~~SEC. 10.~~ The Secretary shall issue a license to any dealer  
21 upon application therefor and payment of the license fee  
22 prescribed pursuant to section 20 of this Act if the Secretary  
23 determines that the facilities of such dealer comply with the  
24 standards prescribed by the Secretary pursuant to section 5



1 of this Act. The Secretary may license as a dealer any per-  
2 son who is not a dealer within the meaning of section 2-(g)  
3 of this Act, upon application and payment of the prescribed  
4 fee, if such person enters into a written agreement with the  
5 Secretary under which such person agrees to comply with  
6 the requirements of this Act and the regulations prescribed  
7 hereunder.

8       *SEC. 10. The Secretary shall issue a license to any dealer*  
9 *or research facility upon application therefor and payment*  
10 *of the license fee prescribed pursuant to section 22 of this*  
11 *Act if the Secretary determines that the facilities of such*  
12 *dealer or research facility comply with the standards pre-*  
13 *scribed by the Secretary pursuant to section 7 of this Act.*  
14 *The Secretary may license as a research facility any facility*  
15 *which is not a research facility within the meaning of sec-*  
16 *tion 2(f) of this Act, and may license any person as a dealer*  
17 *who is not a dealer within the meaning of section 2(g) of*  
18 *this Act, upon application and payment of the prescribed*  
19 *fee, if such facility or person, as the case may be, enters*  
20 *into a written agreement with the Secretary under which*  
21 *such facility or person agrees to comply with the require-*  
22 *ments of this Act and the regulations prescribed hereunder.*

23       *SEC. 11. The Secretary shall make such investigations*  
24 *or inspections as he deems necessary to determine whether*  
25 *any person has violated or is violating any provision of this*





1 Act or any regulation issued thereunder. The Secretary  
2 shall promulgate such rules and regulations as he deems  
3 necessary to permit inspectors to confiscate or destroy animals  
4 found to be suffering as a result of a failure to comply with  
5 this Act or any regulation issued thereunder.

6 SEC. 12. The Secretary shall take such action as he  
7 may deem appropriate to encourage the various States of  
8 the United States to adopt such laws and to take such action  
9 as will promote and effectuate the purposes of this Act, and  
10 the Secretary is authorized to cooperate with the officials of  
11 the various States in effectuating the purposes of this Act  
12 and any State legislation on the same subject. The Secretary  
13 is further authorized to cooperate with any other Federal  
14 department, agency, or instrumentality concerned with the  
15 welfare of animals used for research or experimentation.

16 SEC. 13. No dealer shall sell or otherwise dispose of  
17 any dog or cat within a period of five business days after  
18 the acquisition of such animal, except pursuant to regula-  
19 tions prescribed by the Secretary.

20 SEC. 14. The Secretary shall issue rules and regula-  
21 tions requiring licensed dealers to permit inspection of their  
22 premises and records at reasonable hours upon request by  
23 representatives of legally constituted law enforcement agen-  
24 cies in search of lost animals.

25 SEC. 15. No dog or cat may be sold or offered for sale





1 in commerce at a public auction or by weight, unless the  
2 sale or offer for sale of such animal is made ~~(1)~~ in accord-  
3 ance with regulations prescribed by the Secretary, and ~~(2)~~  
4 by a dealer licensed under this Act.

5       *SEC. 14. The Secretary shall issue rules and regula-*  
6 *tions requiring licensed dealers and research facilities to*  
7 *permit inspection of their premises and records at reasonable*  
8 *hours upon request by representatives of legally constituted*  
9 *law enforcement agencies in search of lost animals.*

10       *SEC. 15. No dog or cat may be sold or offered for sale*  
11 *in commerce at a public auction or by weight, and no*  
12 *research facility may purchase a dog or cat at a public auc-*  
13 *tion or by weight, unless the sale or offer for sale of such*  
14 *animal is made (1) in accordance with regulations pre-*  
15 *scribed by the Secretary, and (2) by a dealer licensed under*  
16 *this Act.*

17       *SEC. 16. (a) Nothing in this Act shall be construed as*  
18 *authorizing the Secretary to promulgate rules, regulations,*  
19 *or orders for the handling, care, treatment, or inspection of*  
20 *animals during actual research or experimentation by a*  
21 *research facility.*

22       (b) The Secretary is authorized to promulgate such  
23 additional standards, rules, regulations, and orders as he  
24 may deem necessary in order to effectuate the purposes of  
25 this Act.



1        SEC. 17. Any dealer who violates any provision of this  
2 Act shall, on conviction thereof, be subject to imprisonment  
3 for not more than one year or a fine of not more than  
4 \$1,000, or both.

5        SEC. 48. (a) If the Secretary has reason to believe that  
6 any research facility has violated or is violating any pro-  
7 vision of this Act or any rule or regulation prescribed here-  
8 under, he may, after notice and opportunity for hearing,  
9 order such research facility to cease and desist from con-  
10 tinuing such violation.

11        SEC. 18. (a) If the Secretary has reason to believe that  
12 a dealer or any person licensed as a dealer has violated or is  
13 violating any provision of this Act or any rule or regulation  
14 prescribed hereunder, he may suspend such person's license  
15 temporarily, but not to exceed thirty days, and, after notice  
16 and opportunity for hearing, may revoke or suspend such  
17 license for such additional period as he may specify if such  
18 violation has occurred, and may order such person to cease  
19 and desist from continuing such violation.

20        (b) Any person aggrieved by a final order of the Secre-  
21 tary issued pursuant to subsection (a) of this section may,  
22 within sixty days after entry of such an order, seek review  
23 of such order in the manner provided in section 10 of the  
24 Administrative Procedure Act (5 U.S.C. 1009).

25        SEC. 19. Whenever the Secretary has reason to believe





1 *that any research facility has violated or is violating any*  
2 *provision of this Act or any rule or regulation prescribed*  
3 *thereunder, he shall cause a complaint in writing to be de-*  
4 *livered to such research facility, describing the alleged vio-*  
5 *lation or violations. If the Secretary, after the expiration of*  
6 *twenty days following the day on which the complaint was*  
7 *delivered to such research facility, has reason to believe that*  
8 *such research facility is continuing to violate the provisions*  
9 *of this Act, or any rule or regulation prescribed thereunder,*  
10 *as described in the complaint, he shall apply to the District*  
11 *Court for the district in which such research facility is lo-*  
12 *cated for a court order directing such research facility to*  
13 *cease and desist from committing the violations described in*  
14 *the Secretary's complaint.*

15 SEC. 20. When construing or enforcing the provisions  
16 of this Act, any act, omission, or failure of any individual,  
17 while acting within the scope of his office or employment for  
18 a dealer, shall be deemed to be the act, omission, or failure of  
19 such dealer as well as of such individual.

20 SEC. 21. If any provision of this Act or the application  
21 of any such provision to any person or circumstances shall  
22 be held invalid, the remainder of this Act and the application  
23 of any such provision to persons or circumstances other than  
24 those as to which it is held invalid shall not be affected  
25 thereby.





1       SEC. 22. The Secretary is authorized to charge, assess,  
2   and cause to be collected reasonable fees for licenses issued  
3   to dealers *and research facilities*. All such fees shall be de-  
4   posited and covered into the Treasury as miscellaneous  
5   receipts.

6       SEC. 23. The regulations referred to in section 7 and  
7   section 10 shall be prescribed by the Secretary as soon as rea-  
8   sonable but not later than six months from the date of enact-  
9   ment of this Act. Additions and amendments thereto may be  
10   prescribed from time to time as may be necessary or advisable.  
11   Compliance by dealers with the provisions of this Act and  
12   such regulations shall commence ninety days after the pro-  
13   mulgation of such regulations. *Compliance by research fa-*  
14   *cilities with the provisions of this Act and such regulations*  
15   *shall commence six months after the promulgation of such*  
16   *regulations, except that the Secretary may issue provisional*  
17   *licenses to research facilities which do not comply with the*  
18   *standards prescribed by the Secretary pursuant to section 6*  
19   *of this Act provided that the Secretary determines that there*  
20   *is evidence that the research facilities will meet such stand-*  
21   *ards within a reasonable time.*







